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IMPROVING AND REFORMING OUR NATION'S SURFACE TRANSPORTATION PROGRAMS: BECKLEY, WEST VIRGINIA, FIELD HEARING WITH SUBMISSIONS FROM THE CHARLESTON, WEST VIRGINIA, LISTENING SESSION

(112–5)

HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

FEBRUARY 14, 2011

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U.S. House of Representatives
Committee on Transportation and Infrastructure

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Chairman

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Washington, DC 20515

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Chief of Staff

February 11, 2011

MEMORANDUM

TO: Members of the Committee on Transportation and Infrastructure
FROM: Committee on Transportation and Infrastructure Staff
SUBJECT: Field Hearing on "Improving and Reforming our Nation's Surface Transportation Programs: Beckley, West Virginia Field Hearing."

PURPOSE

The Committee on Transportation and Infrastructure will meet on Monday, February 14, 2011, at 8:00 a.m., at the Governor Hulett C. Smith Theater at Tamarack, located at One Tamarack Park, Beckley, West Virginia, to receive testimony related to the reauthorization of the Federal surface transportation programs. This hearing is part of the Committee's effort to reauthorize Federal surface transportation programs under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). These programs expired on September 30, 2009, but have been extended through March 4, 2011. The Committee will hear from the West Virginia Department of Transportation, the Contractors Association of West Virginia, the Coalfields Expressway Authority, the King Coal Highway Authority, and the Appalachian Transportation Institute.

BACKGROUND

Current Authorization

SAFETEA-LU, enacted in August of 2005, reauthorized Federal surface transportation programs through September 30, 2009. A series of extensions of SAFETEA-LU were enacted in the 111th Congress to continue funding authority under SAFETEA-LU program structures. The latest extension, the Surface Transportation Extension Act of 2010, Part II (Public Law 111-322), extended these programs through March 4, 2011.

Highway Trust Fund Solvency

Federal surface transportation programs are funded out of the Highway Trust Fund (HTF), which receives revenue from the Federal excise tax on gasoline and diesel fuel. The

current Federal excise tax on gasoline is 18.4 cents per gallon, 15.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund. Of the 24.4 cents per gallon Federal excise tax on diesel, 21.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund. The latest data show the HTF receipts totaled $35 billion in FY 2010, with $30.1 billion deposited into the Highway Account, and $4.8 billion into the Mass Transit Account.

The cash balance in the Highway Account of the HTF has fallen steadily. The Highway Account had a balance of $22.55 billion at the end of FY 2000, and by TEA 21's expiration at the end of FY 2003, the balance had dropped to $13 billion. In September 2008, the balance in the Highway Account decreased to a level requiring Congress to transfer $8 billion into the HTF from the General Fund. Subsequent General Fund transfers to the HTF in 2009 and 2010 totaled $26.5 billion. At the end of FY 2010, the balance in the Highway Account had declined further to $7.9 billion. Current projections show the cash balance in the HTF will be depleted sometime in 2013.

Innovative Financing

Revenue deposited into the HTF is not keeping up with our highway and transit infrastructure needs. Distinct from the sources of funding, transportation financing tools are used to leverage transportation funding and revenue sources, allowing transportation agencies to raise the resources needed to build projects and expedite the implementation of surface transportation improvements. These financing tools are used to expand upon the existing funding sources. Innovative financing is a broadly defined term that encompasses a combination of specially designed techniques that supplement traditional surface transportation funding and financing methods.

Innovative financing tools and private investment in financing surface transportation projects are methods that the Committee will explore to help the Federal government and states find ways to do more with less and better leverage existing revenue sources. States and localities already using innovative techniques to finance projects, including bonding, loan programs and public private partnerships, can serve as a guide for the Federal role in innovative financing.

Project Delivery

Time delays and inefficiencies in project delivery not only postpone needed improvements in our nation's transportation infrastructure but also result in increases in the cost of projects. According to the American Association of State Highway and Transportation Officials, highway and transit projects today can take ten to 15 years from the beginning planning stages to completion of construction—with up to six of those years for the environmental review process. As the reauthorization of the Federal surface transportation programs moves forward, the Committee will look at potential reforms to the project delivery process. The Committee will determine what improvements can be made to existing rules and

regulations governing project delivery in order to expedite the delivery process for all projects and reduce the cost of transportation projects.

Programmatic Reform

The U.S. Department of Transportation currently administers more than 100 highway, transit, and highway safety programs. Many of these programs serve similar purposes and several of them might not be necessary any longer because the nature of our transportation system has changed over time. During reauthorization of the surface transportation programs, the Committee will review whether or not programs serve duplicative purposes or are no longer needed, and will take steps to consolidate or eliminate those programs.

Performance Standards

Currently, Federal surface transportation programs lack performance metrics and accountability. There are no requirements for State DOTs, localities, or public transit agencies to develop transportation plans with specific performance objectives. The Committee will study performance management approaches that increase the transparency and accountability of how Federal surface transportation funds are used.

WITNESSES

Paul A. Mattox, Jr., P.E.
Secretary
West Virginia Department of Transportation

Mike Clowser
Executive Director
Contractors Association of West Virginia

State Senator Richard Browning
Executive Director
Coalfields Expressway Authority

Mike Mitchem
Executive Director
King Coal Highway I-73/74 Authority
Accompanied by --
Mike Whitt
Executive Director
Mingo County Redevelopment Authority

Andrew P. Nichols, Ph.D., P.E.
Program Director
Intelligent Transportation Systems
Rahall Appalachian Transportation Institute

IMPROVING AND REFORMING OUR NATION'S SURFACE TRANSPORTATION PROGRAMS: BECKLEY, WEST VIRGINIA, FIELD HEARING WITH SUBMISSIONS FROM THE CHARLESTON, WEST VIRGINIA, LISTENING SESSION

MONDAY, FEBRUARY 14, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to call, at 8 a.m., at the Governor Hulett C. Smith Theater at Tamarack, One Tamarack Park, Beckley, West Virginia, Hon. John L. Mica (chairman of the committee) presiding.

Mr. MICA. Good morning. I would like to call this hearing of the United States House of Representatives Committee on Transportation and Infrastructure to order. In just a moment I'll have an opening statement. We are absolutely delighted to be in Beckley and in West Virginia, a beautiful part of the country, and hosted today by the chief Democrat and Ranking Member of this full committee, the gentleman from West Virginia, and I would like to recognize him and yield to him at this time.

Mr. RAHALL. Thank you, Mr. Chairman. And we are indeed honored to have Chairman John Mica, Representative Mae Hirono from the State of Hawaii, and Representative Jimmy Duncan from the State of Tennessee with us in Beckley this morning.

This is the kickoff of a nationwide series of hearings the committee will be conducting, a listening tour to learn about our Nation's infrastructure needs and to hear the people's views. And, Mr. Chairman, if I might before we go further, I would like to recognize the mayor of our fine city for a welcome.

Mr. MICA. Welcome, and you are recognized, sir.

Mr. PUGH. Thank you very much, Mr. Chairman. On behalf of the City of Beckley and southern West Virginia, we certainly want to take this chance and opportunity to welcome you all to our neck of the woods. You can actually see the ground now, and the snow has disappeared for the time being.

But when you look at the different areas of the country that you all are going to be holding these hearings, we are certainly honored that you are here today in Congressman Rahall's hometown of Beckley.

We realize that different areas of the country have different transportation needs. In looking here at the panel that you have,

that you are going to hear testimony from today, these gentlemen certainly are going to tell you about the needs of West Virginia, and the needs are great. There is no doubt that the roads and the infrastructure is a valuable economic development tool, and it's proven its worth many times over right here in the Beckley area with the interstate system, the Appalachian corridor system, and we know that that's something that you are going to see firsthand. So on behalf of the City, again, I want to welcome you all here. We appreciate your time and your efforts on behalf of West Virginia and the United States of America, and wish you all well as you do this fact-finding mission. Thank you very much.

Mr. MICA. Thank you so much, Mayor, and thanks also to members of the community and this beautiful facility. My wife—I was informed on the way down here from Charleston last night as we drove in that she had been here before and didn't realize it, but it is an absolutely gorgeous center, and we're pleased to hold the first hearing. And this hearing is of somewhat historic proportions, because it is the first in a series of hearings that will be held across the United States for the next month, and I thought it was important in working in a bipartisan basis that we begin right here in the hometown of the chief Democratic leader on the Transportation and Infrastructure Committee, Mr. Rahall.

We have had an opportunity to work together the last 18 years he's been there before me, and he is probably one of the most respected Members of the Congress and, without question, the leader of our Transportation and Infrastructure Committee. So he and I have an important responsibility.

In September of 2009, the last six-year transportation bill expired. They were unable, in the last Congress, to develop and pass legislation for a long-term transportation bill, and unfortunately the country is suffering right now.

States do not have a reliable partner, nor do they know Federal policy, Federal funding formulas, or the commitment that we have always pledged to make to assist in building the Nation's infrastructure. So we have had the opportunity to meet already, plan the agenda of the committee, and this week we helped to pass the FAA authorization. We are on our 17th extension. We hope not to make the 18th. And working parallel, we are determined—and we dropped last week a measure to extend the expiring March 4th extension of the transportation bill to the end of September of this year, and our goal is to have that on the President's desk by that time, if not sooner.

So that's why we're here. We start on Thursday again, and Thursday is going to be kind of neat. We start here today with my colleagues in West Virginia, and I found out that we're actually going to the Valley Forge Center in Pennsylvania on Thursday. That's where the next one is held. We hope we don't have to wrap our feet in rags and trudge through the cold weather up there, but we're going to go across the country. And the purpose of this is not so much to have long speeches by Members of Congress, but to come and listen, and that's what we intend to do today.

So with those comments, again, I cannot thank you enough for your willingness to work together, with hands across both sides of the aisle, and also for your hospitality. We got to add to the econ-

omy last night, and we're looking forward—we wish we had more time to stay and that also maybe the shops would be open by the time we leave, but we do have a commitment to be in Charleston this morning, and then back tonight we have votes in Washington. Thank you again, Mr. Rahall, for your hospitality, and I'll be glad to yield to you at this time.

Mr. RAHALL. Thank you, Mr. Chairman. Again, I express my deep appreciation to you and Congresswoman Hirono and Congressman Jim Duncan for taking time from truly busy schedules to be with us here in Beckley, West Virginia.

Besides the Mayor of Bluefield, in the audience—I mean besides the Mayor of Beckley, in the audience is also the Mayor of Bluefield, West Virginia, Linda Whalen, if she would stand up and be recognized, and her city manager, Andy Merriman is here, as well. They have a deep interest in this transportation bill.

I believe I see our Director of West Virginia Homeland Security right behind you, Jim Gianato. Jim, thank you for being here. I know we had the Sheriff of Lincoln County here and the county commissioner from Lincoln County, Tom Ramey.

I see Phil Lewis here representing Senator Rockefeller's office. And are there other public officials here I'm missing? I'm sure there is. Yes, sir?

Mr. O'NEAL. John O'Neal, House of Delegates.

Mr. RAHALL. Yes, John O'Neal, our new member here in Raleigh County. Sorry. I didn't see you in the light there, John. And, of course, a lot of members that you've met of our West Virginia Contractors Association. Who's in the back? Raise your hand.

Mr. MEADOR. Larry Meador, Hinton City Council President.

Mr. RAHALL. Oh, OK. I didn't see you, Larry. My eyes are really going bad. Larry Meador, Hinton City Council or in our neighboring county.

So all of you, we really appreciate your being here.

Our witnesses, of course, will introduce themselves. They will really raise some unique perspective and valuable professional information to us this morning. Thank you, Mr. Chairman.

Mr. MICA. And thank you. And, again, thank you for your hospitality and willingness to work. And we are pleased to have members from both sides of the aisle join us and several leaders of the committee. The gentleman who I recognize now is the chairman and the long-serving leader in the T&I Committee, the gentleman from Tennessee, Mr. Duncan.

Mr. Duncan, you are recognized.

Mr. DUNCAN. Well, thank you. I give a very brief thank you, Mr. Chairman, for calling this hearing, and this is my second visit to Congressman Rahall's district. Several years ago when I chaired the Aviation Subcommittee, we held a hearing of that subcommittee in Huntington, so it's an honor to be back here with Chairman Rahall and West Virginia. It reminds me so much of my home of east Tennessee. In fact, I was telling the group last night that the movie "October Sky," which is a West Virginia story, was filmed in my district of east Tennessee. So there is a lot of similarities between the people of West Virginia and east Tennessee, and I look forward to hearing the testimony of this distinguished panel of witnesses. And thank you very much for letting me be here.

Mr. MICA. Thank you, Mr. Duncan. And we have actually traveling a long way and probably the longest of any of the members to come to Washington—I remember her going out some years ago for a field hearing in July—Mazie Hirono.

Mr. RAHALL. We regret there's no snow for you. Not really.

Mr. MICA. She is on four of our subcommittees, so she has a lot of say in legislation, and we're delighted to recognize her at this time.

Ms. HIRONO. Good morning, everyone. It is a pleasure for me to be here to join Chairman Mica and my colleagues on this field hearing, and I'm really glad that everyone has mentioned how important these field hearings are. There is nothing like going to see as many places in this great and beautiful country of ours and having a field hearing to listen to the people who are literally on the ground. And as long as we're talking about field hearings, I would love for this committee to come to Hawaii. Those of you who have been to Hawaii, you know that we totally rely on transportation to get from island to island. And, indeed, to get to Hawaii, you pretty much have to fly or take a cruise ship, so these issues are critically important to us. We all have transportation needs in our states, and this is a committee that is very bipartisan, and I look forward to hearing your testimony.

Mr. MICA. Well, thank you so much. And, again, we welcome all of our committee members and thank Mr. Rahall.

What we're going to do now, we'll turn to the next order of business. We have some witnesses selected this morning by Mr. Rahall and the committee, and we're going to hear from each of them. Normally, what we do if you have a long, lengthy statement, you can submit it today, and it will be made a part of the official record. And we try to keep this as conversational as possible, so you can have the opportunity to have an exchange with Members of the Committee.

Our witnesses today include Paul Mattox. He is the Secretary of Transportation for West Virginia; Mr. Mike Clowser, Executive Director of the Contractors Association of West Virginia; State Senator Richard Browning, and he is the Executive Director of the Coalfields Expressway Authority; Mike Mitchem, and he is the Executive Director of the King Coal Highway I–73/74 Authority, accompanied by Mike Whitt, who is the Executive Director of the Mingo County Redevelopment Authority; and then the final witness in this panel is Andrew Nichols, and Doctor Nichols is the Program Director of the Intelligent Transportation Systems of the Rahall Appalachian Transportation Institute. Welcome, each of you, and we're pleased to have you participate this morning, and we'll start by recognizing Secretary Mattox. Welcome, and you are recognized.

TESTIMONY OF PAUL A. MATTOX, JR., P.E., SECRETARY, WEST VIRGINIA DEPARTMENT OF TRANSPORTATION; MIKE CLOWSER, EXECUTIVE DIRECTOR, CONTRACTORS ASSOCIATION OF WEST VIRGINIA; STATE SENATOR RICHARD BROWNING, EXECUTIVE DIRECTOR, COALFIELDS EXPRESSWAY AUTHORITY; MIKE MITCHEM, EXECUTIVE DIRECTOR, KING COAL HIGHWAY I–73/74 AUTHORITY, ACCOMPANIED BY MIKE WHITT, EXECUTIVE DIRECTOR, MINGO COUNTY REDEVELOPMENT AUTHORITY; AND ANDREW P. NICHOLS, Ph.D., P.E., PROGRAM DIRECTOR, INTELLIGENT TRANSPORTATION SYSTEMS, RAHALL APPALACHIAN TRANSPORTATION INSTITUTE

Mr. MATTOX. Good morning. Welcome Chairman Mica, Congressman Rahall, and House Committee members and other representatives here this morning. Thank you for coordinating this important event and for the opportunity to participate and present before you.

West Virginia has the sixth largest state-maintained highway network in the country. The Division of Highways has statutory responsibility for maintaining more than 36,000 miles, 92 percent of all the roadways in the state. In 2008, total revenue was 30 percent less than it was ten years ago.

This translates into fewer and fewer dollars becoming applicable to West Virginia's roadway network.

In the process of developing our Long Range Transportation Plan, it was discovered the total estimated cost to maintain West Virginia's existing system at current levels of pavement and operational performance totals $21 billion over the next 25 years. We are fortunate that because we enjoy an excellent working relationship with our local Federal Highway Administration, our projects are delivered as quickly as possible for the motorists of West Virginia. That is evidenced by our collective response to the highway ARRA program.

A testament to that statement, working with the Federal Highway Administration, the Division of Highways has increased its improvement program delivery by 19 percent in 2005, 78 percent last year, relatively working within the same budget. My agency is fully supportive of expediting project delivery by any method possible, but particularly by the design/build method of construction that has saved West Virginia taxpayers more than $20 million on the upgrade of U.S. Route 35 alone.

I am grateful for what the ARRA program did for West Virginia, and I'm thankful for the TIGER II program that will allow us to build a new roadway facility and remove traffic from one of the most dangerous roadways in the state, West Virginia Route 10 in Logan County. From the ARRA and TIGER programs, my agency has become accustomed to the practices of performance and accountability measurements, and we are prepared if these measures should also be a part of the new highway reauthorization legislation.

In 2010, 5.9 million riders rode on West Virginia's 18 public transit systems; one million on the state's rural transit systems. These systems travel 11.2 million miles and employ 680 full- and part-time employees. Public transit service is provided in 33 of our state's 55 counties. Many West Virginians, particularly in rural areas, are transit dependent and utilize these services to get to

work, the doctor, shopping, and to take care of the necessities of life.

The need for continued transportation investment in West Virginia is greater now than ever, particularly for needed new roads in southern West Virginia, such as the Coalfields Expressway, the King Coal Highway, and the New River Parkway.

A robust multi-year transportation authorization is critical as we continue to maintain an aged highway infrastructure.

Addressing the highway and transit needs here in West Virginia will allow the state to become a bigger player in the global marketplace by creating and sustaining jobs and ensuring the future prosperity of the Mountain State. Thank you again for being here.

Mr. MICA. Thank you for your testimony, and what we're going to do is we'll withhold questions until we've heard from all of the witnesses, and then everyone will have a chance to ask some questions.

Let's hear now from and recognize Mike Clowser, Executive Director of the Contractors Association of West Virginia. Welcome, sir, and you are recognized.

Mr. CLOWSER. Thank you, Mr. Chairman. I am Mike Clowser with the Contractors Association of West Virginia.

We represent about 450 members who employ 20,000 West Virginians building our highways, water/sewer systems, buildings. We welcome you to West Virginia. We appreciate you being here. The roads you came down, the airport you flew in, and this beautiful building today were all built by members of our association.

You have asked us to provide you input today on how to streamline the process, eliminate programs, improve flexibility, and improve the efficacy of private investment in transportation infrastructure. I will tell you that I do not feel qualified to do that, and I do know that, as the Secretary mentioned, we have a great relationship with Tom Smith, our Federal highway administrator, and we work with Tom every day on how to solve some of these issues. And our national association, AGC of America and ARTBA, will be presenting information to you on this.

What is important to West Virginia and the men and women who build West Virginia's transportation system is the passage of a Federal-aid highway reauthorization bill. The uncertainty that has existed since September 2009 has created instability in the design and award of construction projects, it has resulted in the unemployment of skilled construction workers, it has curtailed contractors investing in new equipment, and it has resulted in a deterioration of West Virginia's roads and bridges.

You've heard from Secretary Mattox on the breadth of our program. I won't go into it today. But everyone is here today because we understand the value of capital investment.

We understand infrastructure improvements are critical to support commerce and to improve economic competitiveness.

An issue that we have in West Virginia is that we do not have the ability to look at a lot of alternative methodologies for financing our highways. We, as other rural states, depend on stable and a predictable Federal funding program to fund our highway program.

The turnpike that you drove down this morning has been a toll road since its inception in 1955. We are trying to build about 14

miles of road in Mason County and Putnam County utilizing tolls. As the secretary will tell you, that's been a very difficult proposition with the bond market and with our number of people driving. So to look at trying to get tolls in West Virginia and trying to do public/private partnership programs, obviously it's very difficult to get that investment to come into a rural state, especially a state that takes a lot of dollars to build roads.

As Congressman Rahall will tell you, to build a model road in West Virginia through our mountains is a little bit different than building it in flat terrain. And, as such, we depend upon the national Federal highway program, the Federal mechanism, the Federal gas tax, or the state gas tax. And since the Federal gas tax was last increased in 1993, we have seen half of that buying power decreased in the last 17 years. We have also, as the secretary mentioned, had a 30-percent drop in the buying power in our state funds.

So we have found that the Federal highway program not only has created the great highway system that we have; it certainly creates jobs for our industry. And when you look at the number of people that are working in the construction industry today, we have about—within the West Virginia Department of Highways, we have about 23,000 full-time jobs in West Virginia that are dependent upon that, with an annual payroll of $1 billion. When you look at spreading that out over to the jobs that are indirectly created through highways, that adds for many more thousands of jobs within our state. So when you look at the amount of people working because of the transportation system in West Virginia, it is very impressive, although our industry, as many throughout the Nation, are seeing very much of a decline basically because of the instability in our highway programs.

So, in closing, what I would say to you, Mr. Chairman and Members of the Committee, our association appreciates you being in West Virginia today. We appreciate the opportunity to share our concerns. Streamlining and eliminating red tape is great. We applaud that. But if Congress does not act and act swiftly to reauthorize the highway bill, we're going to see much more people laid off within our industry. We thank you for reauthorizing the bill through September. That will be very helpful. We look forward to working with you to create the next highway bill moving forward. So we appreciate the opportunity today, and we appreciate you being in West Virginia.

Mr. MICA. Thank you, Mr. Clowser.

And we are delighted now to recognize one the state's leaders, and we've got two of them today. John O'Neal, a state representative, is here, and we have the opportunity to hear from a state senator, and I want to tell you how much we appreciate, again, your work as part of the important state legislative body.

With that, let me recognize State Senator Richard Browning. Welcome, and you are recognized.

Mr. BROWNING. Thank you, Mr. Chairman and other Members of Congress. Welcome to West Virginia. We are pleased to welcome our favorite son home today, also to his home county, Raleigh.

I am very pleased to be able to talk to you today about a subject that I am very passionate about, the Coalfields Expressway. You

have introduced me, but I want to take another moment to let you know that I serve as Executive Director of the Coalfields Expressway Authority, and I'm going to talk about that for just a second. Also, I serve as the majority whip in the West Virginia Senate, and I chair the Committee on Economic Development, which ties right into my local job here.

The Coalfields Expressway Authority is an organization formed in 1996 to push the construction of the highway and, thus far, we have constructed seven miles. The whole length of the road is 112 miles, and in West Virginia—62 miles in West Virginia.

One of the things that my job allows me to do is dabble in economic development along the highway. One of the things that I take dear to heart is bringing our people home.

Southern West Virginia—in the last census, six out of the top ten counties in the whole country for population loss were in southern West Virginia, and we have to do something to reverse that. I don't know what the next census is going to show. I don't think it will be that much better, but what we're trying to do with construction of the highway is to create jobs that will help bring our people home.

You all know that anywhere roads go, economic diversification follows. That's one of the things that I've worked on in my job here on the local level, plus my job in the Senate as Chairman of the Economic Development Committee.

The spending on the highways, thus far we have spent in constructing seven miles—and we have another 21 miles under design and another 40 miles left to go—we have spent a total of $146 million in Federal funds. We've spent $39 million in state funds as they're matched, for a total of $185 million. All of this money, ladies and gentlemen, has been in the form of earmarks. We have never, ever used one penny of Federal discretionary dollars that come through the regular highway funding bills that we get.

Switching over now to my other hats, I'd like to take a moment to address some of the questions that Congressmen Mica posed in your invitation letter to me. Reducing the number of programs, I applaud you for looking at the programs that our Federal highway dollars are used to fund. I know as a member of our State Senate, as a member of the Legislature for many years, good programs come and go. You always have to evaluate the ones that are out there and use the money for the ones that aren't doing so well and for the new ones that are coming along. So I applaud you for doing that.

I would caution you, however, against cutting any money for any form of transportation. We all know that our global partners, trading partners in the world, are changing. We know through ARC studies that our trading partners are going to shift more toward the eastern ports. So we stand ready in this part of the country for the inner mobile hubs that must happen because our ports aren't large enough to handle the increased volume of trade that's going to come about as a result of the widening of the Panama Canal. So I would caution you against reducing any funding for that.

Streamlines of the project delivery process, Mr. Clowser has already mentioned the design/build construction. We need more of that. We need to decrease the regulatory hurdles that we all must

do to get highways done. We know that the faster we can get a highway finished, the more the public appreciates it and can use it.

Increased private sector investments, I've noticed in the last three highway bills that there's more emphasis placed on state funding. At the same time, the State has put more emphasis on county funding. We have voted on many tax increases, gasoline tax increases, in our state to keep up with the Federal dollars. I'm asking you today to increase the Federal gasoline tax.

And I think I have to stop there. I'll be glad to answer questions.

Mr. MICA. That might be a good place to stop. Mr. Rahall and I have our work cut out, and we see with the new leadership of the House, that they have their work cut out for them. With that, let me just thank you.

And let's turn now to Mike Mitchem; he's the Executive Director of the King Coal Highway Authority. And you have Mr. Whitt with you, so let me recognize both of you. And he is the Executive Director of the Mingo County Redevelopment Authority. So we take you in sequence.

Mr. Mitchem?

Mr. MITCHEM. Thank you, Chairman Mica and Ranking Member Rahall and distinguished committee members for inviting me to speak today. It is my pleasure to join you today at this important hearing. To give you a little background on the King Coal Highway Authority, we cover both the King Coal and Tolsia Highways, which will travel from Bluefield, West Virginia, to Huntington, West Virginia, when completed and cover five counties. These two highways are West Virginia Corridors of I–73/74, which will travel from Sault Ste. Marie, Michigan, to Myrtle Beach on the I–73 section and will travel to Chicago, Illinois, and Davenport, Iowa, on the I–74 section and intersect with these important highways: I–95, I–64, I–77, I–75, just to name a few.

I–73/74 is the Number 5 High Priority Corridor in the U.S. This corridor contained over 61 million people along its route, or 21 percent of the U.S. population. The corridor, as it runs through West Virginia, will make it an important transportation hub and will help impact economic development, tourism, and safety.

According to an Economics Impact Study that was completed for the Authority by Chmura Economics and Analytics, the annual economic impact for the highway is $220 million that will sustain 2,020 jobs. This report does not include employment from the proposed Trans Gas Plant in Mingo County, West Virginia, or the proposed Intermodal Park at Pritchard, West Virginia. These projects should increase these figures even more.

Currently, we have 18 miles of highway that have been designed on the Tolsia Highway and 19 more miles of combined King Coal and Tolsia Highway either constructed or under construction with the help of Federal funding and public/private partnerships with coal companies. We also have six more miles that are proposed to be built in a public/private partnership with Consol Coal Company. Mr. Whitt will tell you a little bit more about it.

The Federal funding we have received has mostly came from the 2005 SAFETEA–LU Transportation Bill, as well as earmarks from Congressman Rahall and the late Senator Robert C. Byrd. The only

way our highway can be finished is by the support of Federal funding, especially funding from the new transportation bill, which we fully support.

One of the main reasons we are building the King Coal and Tolsia Highways is because of the dangerous, narrow, two-lane U.S. Route 52 and to move our housing to higher ground, away from flooding streams that run beside of Route 52. The King Coal and Tolsia Highways will be the replacement for U.S. Route 52 and will be built mostly along higher ground.

Since 2001, according to records from the National Climatic Data Center, McDowell and Wyoming Counties, two of the counties that the highway will travel through, have had a combined total of damages from flooding of $237 million that could have been alleviated if these highways had been constructed on higher ground with new housing built out of the flood plain.

One suggestion we have for a possible source of funding for the new transportation bill would be a check-off space on the Federal income tax forms. I have been asked by numerous individuals if there was any way that they could help give money toward our highway project. I think this would be one.

This could possibly be one way for individuals to assist with Federal highway trust funding and future highway projects.

As a close, I would ask for a quick passage of the next transportation bill, which we hope will include funding for the King Coal and Tolsia Highway projects. And I hope all of you will someday be able to tour our project area to see the progress being made, as well as the problems that exist on our current highways. Thank you.

Mr. MICA. Thank you.

Mr. Whitt?

Mr. WHITT. Thank you, Mr. Chairman. I am like the rest of them. I really appreciate you and your committee coming to West Virginia to hold this hearing on a very important, very dear to our heart project, the transportation bill.

I would like to share with you what we have tried to do down in the southern part of the state, knowing how difficult it is to obtain Federal and state dollars to construct roads, because there is so much competition. We embarked upon a public/private partnership down there utilizing our Land Use Master Plan, our county development plan back in 2000, and we sort of laid the blueprint out on what we would like to see 20 years from now, and this was a grass roots effort.

We had a company doing some mining in a section of where the King Coal Highway was going to go. We approached him, asked him about doing a section. He had three miles there that could be a post mine land use. There's no public money into that until we grade it and pave it at the end of the project. So we got with the mining company, the Federal and state highways, the land companies, and we agreed to do this three-mile section.

While we were looking at that, we looked at 12 miles to the west of that, and it had been mined before. There was just little pockets of coal here and there, so we really got down and put some—put our heads together and really worked hard; it was an open mind. Presently, we have 15 miles under contstruction. The projected cost

of this road was about $400 million. The end cost on this is going to be somewhere around $120 or $130 million. It's creating a number of acres for economic diversification outside the flood plain.

And, for an example, where some of these areas are completed, we've got a new consolidated high school that's going to open in August of this year. That's consolidating four high schools into one. It's a 90-acre site that was developed by this construction company and donated to the local board of education. We were able to get some funding from our congressional folks to put utility lines along this, and we do have a utility corridor that we worked with Secretary Mattox and the Federal Highway Administration to put a utility corridor. To my knowledge, that's the first time that we've had one beside a four-lane. Now, you tell me why you build a four-lane and you don't put a utility corridor. That doesn't make much sense to me. You can't develop anything. But this will be the first time ever in the history of Mingo County that we're going to have a four-lane highway with development sites that are out of the flood plain, with utilities beside it. It's the first time ever in the history of our county, and we're very rural, and if we can't find unique ways and creative ways to do things down there, we're never going to survive, because you folks and state folks can't provide enough funding for us to do what we need to do to survive.

With that, I appreciate you folks coming down and listening to it. We will be having a ribbon-cutting ceremony probably the first of July. I would like to invite you or any of your members that can come down to this, along with our Federal and state highway folks, so you can actually see what we're doing and what terrain we're having to build these roads in. The projected cost is $28 million a mile if we do it with fully public money, and we think if we can do it public/private, we can build these roads for somewhere between 30 and 40 cents on the dollar. Thank you very much.

Mr. MICA. Thank you for your testimony, and we'll recognize Dr. Nichols now. Welcome, and you are recognized.

Mr. NICHOLS. Thank you, Mr. Chairman Mica, Ranking Member Rahall, and Members of the Committee. I am here today representing the Nick J. Rahall II, Appalachian Transportation Institute at Marshall University in Huntington, West Virginia, where I serve as the program director of Intelligent Transportation Systems and an assistant professor of engineering. I would like to welcome you to our beautiful state and thank you for the opportunity to share our perspective on improving our Nation's surface transportation program and how institutions like RTI are part of the solution.

RTI is a national University Transportation Center (UTC), which was established twelve years ago by the Transportation Equity Act for the 21st Century. Some of you may be unfamiliar with UTC programs, but you're likely to hear from many of us over the next two weeks.

The UTC program is administered by the Research and Innovative Technology Administration of the USDOT.

Under SAFETEA–LU, there are currently 60 UTCs that directly involve approximately 120 universities across the Nation.

The mission of the UTC program is to advance technology and expertise in all facets of transportation through education, re-

search, and research implementation. Each UTC has a unique theme that guides their research and educational initiatives.

RTI's theme is "Transportation and Economic Development in Mountain Regions," and many of our initiatives have focused in the Appalachian region.

The American Society of Civil Engineers periodically produces a report card that grades different aspects of our Nation's infrastructure, including six transportation components. In 2009, the most recent report, all six transportation components rated in the C to D– range.

Bridges were rated at C because more than 26 percent of the Nation's bridges are either structurally deficient or functionally obsolete, and an annual investment of approximately $17 billion is needed to substantially improve the current conditions. Roads are rated D– based on an estimate that Americans spend 4.2 billion hours per year stuck in traffic, at a cost of $78.2 billion, and 45 percent of major urban highways are congested.

Since funding for capital improvements to alleviate congestion will continue to be scarce, innovation is essential to improve these poor conditions. UTCs are constantly developing and evaluating technologies and strategies that will help design, build, and operate systems more cost effectively and improve safety of those systems.

RTI has been involved in many projects of regional significance, including the analysis of innovative financing methods on the King Coal Highway, as Mr. Whitt mentioned, as well as transportation technology evaluation and deployment and many others. RTI completed a project for the Appalachian Regional Commission to develop a tool that could be used to facilitate the efficient estimation of construction costs needed to complete the 13-State Appalachian Development Highway System, which was the first highway system authorized by Congress for the purpose of stimulating economic development. This tool developed by the UTC helped the ARC reduce the cost to generate these construction estimates by 42 percent and facilitated the analysis of the economic impact of completing ADH System. That analysis estimated the total economic benefit-cost ratio to be 3.6 to 1 for the Appalachian Region and 3.1 to 1 for the entire United States through improved connectivity and accessibility.

RTI is the lead on an active research and development project in Morgantown, West Virginia, in collaboration with four other universities that are affiliated with UTCs. This project funded by the West Virginia Department of Transportation is focused on improving traffic signal timing along an extremely congested corridor using adaptive traffic signal control, because constructing additional lanes or alterative routes is not financially feasible.

Traffic system optimization has been shown to provide a benefit to cost ratios up to 55 to 1. This project is unique because we're quantifying those benefits to justify the investment prior to deployment using innovative techniques and deploying technologies and sensors along the corridor to continually monitor the operations over time. This project is an example of how UTCs, DOTs, and technology manufacturers can work together to deploy real solutions to real problems. This project also highlights the need for increased investment in the deployment of ITS technologies, which

provide for more effective system management, oversight, and performance measurement.

Another critical aspect in improving the transportation system is education, ranging from science, technology, engineering, and math recruitment in K through 12, to undergraduate education and workforce training. The presence of UTCs across the Nation ensures the students and professional have access to advanced educational and training opportunities, and that widespread recruitment efforts focused on the transportation profession will be carried out.

There are numerous success stories from other RTI projects that have positively impacted transportation in the region and the Nation. You will likely hear many more success stories from other UTCs, all which are documented by RITA through its performance measuring system.

Without RTI and other institutions in the UTC program, there would be large voids in all aspects of the current transportation system, and future innovation will be severely inhibited. Congress had a vision to create the UTC program approximately 23 years ago, which has been integral in achieving the transportation system that we have today. I ask that your vision include UTC program funding at current or increased levels, so that we can continue to innovate and serve the transportation in the United States.

Mr. MICA. Well, thank you for your testimony, Dr. Nichols and each of the witnesses. First of all, as to the unanimous consent that all of our witnesses' full statement be included in the record without objection, it's so ordered.

It's impossible in these official hearings to have dozens of witnesses, and we have six individuals who have provided testimony this morning.

But what we want to do, Mr. Rahall and I want to make certain that anyone who has any ideas or recommendations for the committee, that their ideas and their proposals be made part of the record. And I'd like to recognize Mr. Rahall for a motion.

Mr. RAHALL. Mr. Chairman, I would ask that the committee record remain open for two weeks, so that all members of the audience and anyone else that would like to submit written testimony for the record be made part of the record of today's hearing.

Mr. MICA. Without objection, so ordered. So you will have an opportunity to participate in that regard.

[The information follows:]

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February 23, 2011

To Chairman John L. Mica (R-FL), Ranking Member Nick J. Rahall (D-WV) and Members of the House Committee on Transportation and Infrastructure

RE: Comments for Submission in the Record of the Congressional field hearing, held in Beckley, WV on February 14, 2011.

Dear Members of the House Committee on Transportation and Infrastructure:

I am the Director of the Good News Mountaineer Garage, a non-profit statewide program in West Virginia that provides donated, repaired vehicles to West Virginians who are very poor and need a vehicle so they can get to work or job training and off public assistance.

We have been doing this for nearly 10 years and have provided close to 1,500 vehicles to people referred to us from the WV WORKS program (a part of WVDHHR- Temporary Assistance to Needy Families) and to West Virginians who have a disability or a job injury which led them to receive Rehabilitation Services to gain new skills so they can be employed.

The people we help have been determined by their caseworkers as ready for job training or work but lack available transportation. The solution we provide is vehicle ownership when that is the only economic, efficient or available option. (In our last follow-up study, after one year 93% of TANF recipients who received a vehicle from us were off public assistance.)

As you know, in many rural areas in West Virginia, there is no public transportation. As Paul A. Mattox, Jr., WV Secretary of Transportation, testified in the above referenced hearing, there are no public transit services available in 22 of West Virginia's 55 counties. The transit services that are available are limited and generally involve some other transportation availability to get to the main route access.

When the Good News Mountaineer Garage began, lack of transportation was the number one reason people were on public assistance. Through joint efforts of community organizations, state agencies and others we have put a dent in the problem, but sadly it is still a huge barrier today as vehicle ownership is more expensive and job opportunities are less available.

West Virginians who are poor and live in areas where there is no economical or efficient way to provide public transportation services because of the sparse population and large land mass have had a hard time just getting to work. In most areas of the state, the vast majority of low income workers do not live within a walking distance of employment opportunities. This dilemma of low income housing opportunities and distance job opportunities is addressed in the Job Access Reverse Commute section of SAFETEA- LU.

JARC contains a provision which allows funds for financing vehicles for people with low incomes. The Good News Mountaineer Garage received a small operating grant from JARC which allowed us to put 55 working families on the road to work. This was in 2004. The language is vague in this section and later interpretations prohibited the use of non-profit low income car ownership programs from using JARC funds for operating expenses. The funds we got allowed us to help pay for staffing and operational costs, as well as vehicle repairs cost, while partnering with a private bank to provide high risk, $4,000 and below unsecured loans to those families we were selling donated, repaired cars to at a significantly reduced rate.

Our payments ran from $45 to $186 a month for 24 months at a 4.5 % interest rate. This program was geared toward helping families who, having lost their means of getting to work because of their vehicle was beyond repair, would lose their job and end up on welfare.

For many in rural areas, a car is not a luxury; a car is a necessity for participating in our economic system. Rural transit dollars are not proportionate to rural populations because rural areas do not fit well into the public transit model for obvious reasons. It is our hope that the JARC provisions remain and include low income car ownership financing possibilities and that the language make clear that the funds can be used to operate a donated car program like ours which result in making vehicle loan payments affordable for West Virginians with low incomes.

We need to do more to help people get vehicles in rural areas, particularly we need to have programs which help low wage workers purchase safe, reliable vehicles at a price they can afford and finance them at a reasonable, non-predatory interest rate.

I have attached a transportation position paper from the National Rural Assembly, a group of rural program representatives from across the country and includes West Virginia organizations. Transportation is a huge problem in rural areas and we think that we have some good solutions to offer.

Thank you for your attention to my concerns and suggestions.
Sincerely,

Barbara Bayes, Director
Good News Mountaineer Garage

Enc: Rural Transportation Policy Group Position Paper

National Rural Assembly

Rural Transportation Policy Group Position Paper

September 15, 2010

Rural Transportation Policy Group Members

Association of Programs for Rural Independent Living (APRIL)
North Little Rock, AR

Good News Mountaineer Garage
Charleston, WV
Redwood Coast Rural Action
Bayside, CA

Sustainable Northwest
Portland, OR

YouthBuild USA
Somerville, MA

Connecting rural America with improved transportation systems is a major challenge for the nation as a whole. With the federal transportation reauthorization bill pending, the nation has an opportunity to modernize, strengthen, and integrate the transportation systems that connect rural people and places to each other and urban commercial centers, while protecting the landscapes, habitat, and livelihoods of rural communities. Strategic investments in rural transportation, including broadband technology, will support the nation's recovery and long-term growth at a historic time. These investments are critical for getting people to job and training opportunities, commercial centers, schools, and vital services. For all American communities to have the opportunity to thrive, we must ensure the full integration and participation of rural Americans into a more vibrant national and global economy.

Rural places are as diverse as Americans themselves. Each has a unique combination of assets and obstacles, making one-size-fits-all or formula-based solutions both inappropriate and impossible. Today's transportation challenges require innovative thinking, adequate and flexible resources, and long-term strategies to identify and implement appropriate solutions.

Diverse rural voices, including Native American tribes, must be included in the conversation. If transportation planning and construction are to truly support the needs of rural residents, regional economic development, and commerce, then *all* voices must be part of the next federal transportation bill.

We offer our perspective as the Rural Transportation Policy Group. We are a national coalition of rural individuals and organizations networked through the National Rural Assembly. Our goals are:

- To coalesce the voices of a diverse set of rural-based organizations in support of new and innovative transportation policy and investments.

- To articulate and advocate for national transportation policies that support the health and well-being of rural people and places throughout the nation.

- To ensure the next federal transportation bill strengthens and supports rural people, rural places, and sustainable commerce, acknowledging the interdependence of the nation's metropolitan and rural economies.

Guiding Principles for Sound Rural Transportation Policy

The Rural Transportation Policy Group upholds the following five principles as a framework for developing an integrated transportation policy that supports rural America:

- Rural and Native American voices must be included in regional and statewide transportation planning processes.

- National, state, local, and tribal governments must work collaboratively[1] to design, build, maintain, and coordinate transportation infrastructure, including broadband technologies.

- Rural residents need and deserve available public transportation, including regional and intermodal systems, and need those systems to be accessible to all. Accessibility should, at a minimum, meet the standards of the Americans with Disabilities Act of 1990, as amended (ADA).

- Transportation infrastructure investments should promote the economic, environmental, social health, and well-being of rural communities and landscapes.

- Flexible funding and public-private coordination are needed to support the unique transportation needs of diverse rural communities.

[1] We define collaboration as a group of diverse stakeholders working together to solve a common problem or achieve a common objective.

Recommendations for a Federal Transportation Bill

We believe the following recommendations, if adopted, will strengthen and support economic opportunity and growth across the entire nation, specifically by supporting those Americans who live, learn, and work in rural places.

1) **Integrate rural communities and Native American tribes into regional, statewide, and national transportation planning processes through Rural Transportation Planning Organizations (RTPOs) and statewide transportation planning entities.**

Rural communities and tribes have a limited voice in the transportation planning process. There is a clear interdependence of urban and rural areas for workforce opportunities, market access, natural resources, and other needs. Rural communities and tribes should be given a "seat at the table" in their statewide transportation planning processes through the creation or recognition of Rural Transportation Planning Organizations (RTPOs). These organizations can help increase the technical capacity in rural areas and help ensure these areas have an informed voice at the table.

Tribes and tribal lands are integral to rural America and to the network of state and county roads that exist in many rural areas. Tribes have separate funding allocations that support transportation planning, construction, and maintenance. To better coordinate transportation systems, and to make the most efficient and effective use of resources, there should be tribal representation at the state transportation planning level.

In order to amplify the rural voice at planning tables, we recommend:

- The creation of RTPOs recognized by state and federal transportation agencies. RTPOs should be included in both planning and resource allocation processes. RTPOs should include representation from public health organizations; the disability community; conservation, youth development, and education organizations; community development organizations, including housing and workforce development; in addition to tribal and local governmental entities.

- The requirement that state departments of transportation (DOTs) as well as metropolitan planning organizations (MPOs) coordinate with adjacent RTPOs when developing plans and programs.

- The authorization of planning and project funds to RTPOs and/or consortiums of tribal, county, city, town, and transit agency officials, and to nonprofit transit service providers to enable the development of sustainable transportation systems that support the long term economic viability of rural areas.

2) Increase availability as well as access to transportation options for all rural residents, reducing barriers to employment, healthcare, and other services.

For obvious reasons, rural areas are very automobile dependent. Rural residents without access to cars or driver licenses -- especially low-income people, young people, elderly people, and people with disabilities -- face enormous barriers commuting to jobs, healthcare services, and training opportunities located within their own counties, much less neighboring counties and urban centers. Meeting the transportation needs of rural residents will necessitate a combination of approaches including available and accessible public transportation, coordinated van and car pools, flexible vouchers, and programs that assist low-income individuals in financing the purchase of personal vehicles in places where public transportation options are unavailable or not economically viable.

Below are five recommendations to increase access to transportation and connect rural people to the jobs, healthcare, and training they need:

- Require and assist public transportation systems to meet the minimum access requirements stipulated in the ADA. Today, para-transit systems operate only where public transit routes exist, being complementary to and running parallel with those routes. By improving access to public transportation stops and vehicles, and by ensuring that public transportation accommodates all riders, reliance on more expensive para-transit systems could be drastically reduced.

- Provide incentives for the utilization of collaborative approaches to increased transportation options by enabling para-transit providers, as well as private van pool operators, to work with local governments, non-profit organizations, and employers to create affordable transportation arrangements for students, workers, consumers, and others.

- Support cross-jurisdictional planning and intermodal transportation, for example, regional bus services that link to commuter rail or airports.

- Support low-income car ownership for areas where public transportation is not possible, feasible, or economically viable.

- Require states to designate geographic regions for rural and small urban areas and facilitate the development of a coordinated public transportation/human service plan for all transit service in these areas. In addition, allow flexibility in use of 5310, 5316, and 5317 funds in rural and small urban areas.

3) Align transportation investments with "livable communities" principles, supporting the economic, environmental, and social well-being of rural communities and landscapes.

Well planned transportation infrastructure projects provide jobs to residents during construction and maintenance, but more importantly, they can encourage the development of "livable communities" by promoting existing towns, increasing resident mobility, and connecting rural and urban job and consumer markets. However, infrastructure projects in rural areas must also take into consideration natural resources, landscapes, and ecosystems for which rural areas are nationally valued and renowned. Aligning our goals for economic and environmental health will enable rural areas to be truly desirable and livable communities. To that end, we have the following recommendations:

- Require MPOs and RTPOs to adopt "complete streets[2]" policies addressing the safety of all users, including pedestrians of all ages and those who need mobility aids, bicyclists, motorists, transit, and freight. In order to compel local and regional jurisdictions to adopt "complete streets" policies, these policies should be required for all projects receiving federal funding, including new and retrofit projects.

- Consolidate existing funds used to support transportation for people with disabilities, older adults, and people with limited incomes (including funding currently integrated into human service programs) into one coordinated program. At a minimum, develop and disseminate joint policy guidelines across programs to encourage coordinated, effective, and efficient delivery of transportation opportunities.[3]

- Provide the transportation industry with requirements and incentives to retain existing workers and provide career ladders and training for youth, preparing them for jobs in the pubic and private transportation sectors.[4]

- Prioritize projects that use local contracting and fair wage labor within the rural areas of the project in order to support strong rural economies.

- Set aside funding in the federal transportation bill for the repair and maintenance of existing infrastructure in rural areas.

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[2] http://www.completestreets.org/policy/complete-streets-work-in-all-communities/.

[3] The United We Ride Dialogue, National Academy of Public Transportation and Easter Seals Project Action, February 2010. (www.unitedweride.gov).

[4] These concepts were included in Rep. Nadler's Transportation Job Corp Act of 2009.

- Set aside funding for rural and tribal governments, RTPOs, and non-profits to support local projects that contribute to the development of "livable communities." [5]

4) Address the needs for movement of goods and services to strengthen and support rural places, people, and economies.

The distance to markets creates unique challenges for building and sustaining the economies of rural communities. An interconnected, multimodal system that provides users with options is critical to meet current and future needs of rural communities while addressing climate change challenges.

Broadband infrastructure is an essential transport mode, particularly for rural communities distant from centralized markets and services. Broadband access facilitates the delivery of education, healthcare, emergency/safety information, and commercial exchange. It also connects local entrepreneurs to the increasingly internet-based global economy and should be integrated into overall transportation planning.

Rural areas are largely dependent on natural resources and open space for the growth and resilience of their economies. The connection to the land, wildlife, and open space defines many of these communities. In order to support the livability, heritage, and treasures that rural communities share, we recommend the following:

- Road and rail rights-of-way should be considered a public asset and utilized to support a wide range of transit needs including the accommodation of communication infrastructure such as broadband, as well as trails, bicycle paths, foot paths, etc.[6]

- New and retrofit transportation projects should be coordinated with local and regional efforts to connect communities with high-speed broadband in rural areas. Preference should be given to projects that address communications infrastructure needs, including the laying of conduit during the project.

- Transportation modes and corridors that support the building of rural economies should be prioritized and maintained to assure the efficient movement of goods and services.

- Transportation planning should be required to include conservation and mitigation strategies that preserve open space, avoid utilization of prime farm

[5] See legislation introduced by Senator Dodd (CT): Livable Communities Act of 2009. (S. 1619).
[6] Elements of this have been addressed in the Broadband Conduit Deployment Act of 2009, SB1266 and HR2428.

and forestlands, expand support for establishing wildlife corridors, preserve and enhance wetlands, and manage invasive species that can be devastating for local agriculture and native habitat.

5) Decrease high traffic crash, mortality, and injury rates on rural highways.

Mortality rates on rural highways are 58 percent higher than metropolitan ones.[7] Many rural communities are still bisected by federal highways, where traffic patterns have changed significantly over time, creating particular danger to pedestrians walking alongside or crossing. In some communities these areas also include high concentrations of low-income individuals and families who have few alternatives to walking to destinations.

The risk of death among American Indians has been shown to be greater compared with other races. One study found that mortality rates among injured American Indians in rural Nevada exceeded those among non-American Indians injured in motor vehicle crashes.[8]

The federal transportation authorization bill should include aggressive goals to reduce deaths and injuries on and along rural highways, requiring state highway safety programs to:

- Identify high risk rural roads.
- Prioritize projects based on criteria that include crash rates per vehicle miles traveled; projects that address areas of high numbers of pedestrian accidents; projects that can be completed in existing rights-of-way; projects that minimize the impact on communities and the environment; and operational improvements such as signage and Intelligent Transportation Systems.[9]

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[7] Robbin Shoemaker: David McGranahan; William McBride. (2008). Agriculture and Rural Communities Are Resilient to High Energy Costs. USDA. www.ers.gov/AmberWaves/April06/features/energy.htm.
[8] Rural Injury Deaths in Nevada: A Comparison of American Indians and Non-Indians, 1980-87, by David Wallace.
[9] The term *intelligent transportation system* (ITS) refers to efforts to add information and communications technology to transport infrastructure and vehicles. These systems manage factors that typically are at odds with each other, such as vehicles, loads, and routes to improve safety and reduce vehicle wear, transportation times, and fuel consumption.

Statement for the Record
House Committee on Transportation & Infrastructure
Beckley, West Virginia Field Hearing on
"Improving and Reforming our Nation's Surface Transportation Programs"
February 14, 2011

Chairman Mica, Ranking Member Rahall, and Members of the Transportation and Infrastructure Committee, the undersigned organizations appreciate the opportunity to submit this statement for the record to express our priorities for the reauthorization of the surface transportation bill.

Transportation provides access to opportunity for millions of people, and thus, the bill has the potential to serve as a key component in addressing poverty, unemployment, and equal opportunity goals. As organizations that represent persons of color, women, children, individuals with disabilities, gays and lesbians, older Americans, labor unions, major religious groups, civil libertarians, and human rights organizations, we are committed to ensuring that transportation investments are equitably targeted to the people and places that need them the most.

Our transportation policy has the potential to expand economic opportunity for low-income Americans by connecting them to jobs and creating, training, and retaining underrepresented workers in highway construction, transit, and rail projects. It also has the potential to exacerbate some communities' isolation from jobs and resources. At a time of high unemployment and unprecedented income inequality, equity in transportation policy is one of the most pressing civil and human rights issues our nation faces.

We believe that equal access to affordable transportation is a fundamental civil right and that several core principles must be adhered to in federal transportation policy. First, federal policy must create affordable, available, and accessible transportation options for everyone, regardless of income, race, age, disability, background, or ZIP code. Second, transportation policy must create, protect, and ensure equal employment opportunities in the transportation industry. Third, federal transportation investments must promote healthy, safe, and inclusive communities with housing opportunities for families of all incomes. Fourth, equity requires that decisions regarding the public dollars invested in transportation must be made by bodies that represent all constituents equally. Finally, there must be strengthened civil rights enforcement to ensure access to transportation, as well as prevent disproportionate negative impacts on disadvantaged communities.

The unique landscape of West Virginia, with its mountains and valleys, makes safe, affordable, and accessible transportation vital to its communities and the economy. The federal surface transportation program is an important and essential source of funding for providing safe and reliable transit service and improving the Mountain State's highway and bridge conditions while ensuring fair access to quality jobs and contracting opportunities.

Transportation and West Virginia
In past years, transportation bills provided transit monies to West Virginia's transit agencies as well as highway enhancement projects, enabling the state to undertake myriad local

improvement projects. Today, the state faces significant gaps in trying to meet infrastructure needs. The West Virginia Department of Transportation projected a transportation-funding shortfall of approximately $5 billion from 2009 to 2018.[1] Thus, meeting West Virginia's need to develop and maintain its system of roads, highways, bridges, and transit will require a significant, long-term boost in transportation funding at the federal level.

Transportation Equity Fosters Employment Growth and Promotes Equal Job Opportunity
According to the Brookings Institution, by 2006, 45 percent of jobs in our 98 largest metro areas were located more than 10 miles from the urban core.[2] While jobs are increasingly moving to suburbs and remote exurbs, affordable transportation options to and within these areas have not increased at the same pace. As a result, many lower-income and minority people living in rural communities, small towns and urban areas are often isolated from job opportunities.

Most of the outlying areas where an increasing percentage of American jobs are located are reachable only by car. This disproportionately harms people of color: 19 percent of African Americans and 13.7 percent of Latinos lack access to automobiles, compared with 4.6 percent of Whites.[3] Lack of public transportation also impedes efforts to reduce poverty—three out of five jobs that are suitable for welfare-to-work participants are not accessible by public transportation.[4] These statistics also highlight the need for financial assistance for low-income car ownership in the next transportation bill, which is crucial in many of the rural areas of West Virginia.

Our next major federal investment in transit will create hundreds of thousands of jobs in the transportation sector. To promote equal job opportunity, the federal government should end requirements that most funds be spent on highways. We must invest in transit options that will enable low-income people to reach a greater variety of job opportunities—including transportation projects in outlying areas. Federal law also should create incentives for states and localities to utilize labor from low-income communities, including tying federal funding to compliance with contracting goals for disadvantaged business enterprises.

As West Virginia seeks to rebound from the economic downturn, making needed improvements to the state's surface transportation system will create jobs in the short term and stimulate long-term economic growth as a result of enhanced mobility and access. The state's unemployment rate is 9.5 percent[5] and the unemployment rate among West Virginia's African-American population is a staggering 19 percent.[6] According to the U.S. Census Bureau, 17.4 percent of

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[1] "Future Mobility in West Virginia: Meeting the State's Need for Safe and Efficient Mobility." July 2009.
[2] Elizabeth Kneebone, "Job Sprawl Revisited: The Changing Geography of Metropolitan Employment," Metropolitan Policy Program at Brookings, April 2009, *at* http://www.brookings.edu/~/media/Files/rc/reports/2009/0406_job_sprawl_kneebone/20090406_jobsprawl_kneebone.pdf.
[3] Brookings Institution and UC-Berkeley. "Socioeconomic Differences in Household Automobile Ownership Rates" *at* http://gsppi.berkeley.edu/faculty/sraphael/berubedeakenraphael.pdf.
[4] Surface Transportation Policy Project, *Transportation and Poverty Alleviation at* http://www.transact.org/library/factsheets/poverty.asp referring to study by the Volpe Institute.
[5] Bureau of Labor Statistics. Unemployment Rates by County in West Virginia, Dec. 2010.
[6] Bureau of Labor Statistics. Preliminary 2010 Data on Employment Status by State and Demographic Group *at* http://bls.gov/lau/ptable14full2010.pdf.

West Virginians live below the poverty level, which is higher than the national average.[7] The poverty level in West Virginia's rural community is a high 20.5 percent.[8] Nationwide, the unemployment rate of people with disabilities is 13.6 percent.[9] Given the level of unemployment and high poverty levels, the next transportation bill should ensure fair access to all West Virginians—regardless of race, gender, income, or disability—to quality jobs, workforce development, and contracting opportunities in the transportation industry. West Virginia's economy relies on a healthy manufacturing sector to produce and transport goods, and thus, by improving the state's transportation network, Congress can help create good paying and much needed jobs. The design, construction, and maintenance of transportation infrastructure will provide thousands of full-time jobs in West Virginia.[10] These employees would contribute millions to state and federal payroll tax revenue.[11] Additionally, the existence of almost 500,000 full-time jobs in West Virginia in key industries like tourism, retail sales, agriculture, and manufacturing are dependent on the state's transportation infrastructure network.[12]

Transportation Equity Requires Affordable, Available, and Accessible Transportation Options

Our civil rights laws bar employers, federal, state, and local governments, and public accommodations from discriminating in access to health care, employment opportunities, housing, education, and voting (among others). Although our laws promise to open doors to opportunity, this is a hollow promise for people who are physically isolated from jobs, schools, stores that sell healthy food, and health care providers. As our metropolitan areas have expanded and jobs and services have become more diffuse, equal opportunity depends upon equal access to affordable transportation.

Transportation investment to date has produced an inhospitable landscape for low-income people, people with disabilities, and the elderly. People of color are disproportionately disadvantaged by the current state of transportation. The cost of car ownership, underinvestment in public transportation, and a paucity of pedestrian—and bicycle-accessible—thoroughfares have isolated low-income people and struggling families from jobs and services.

This is the civil rights dilemma: our laws purport to level the playing field, but our transportation choices have effectively barred millions of people from getting across it. Traditional nondiscrimination protections do not protect the person for whom opportunities are literally out of reach.

For this reason, our transportation policy should expand and improve access to people for whom the cost of car ownership is prohibitive and for those who may depend on public transportation,

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[7] U.S. Census Bureau, State & County QuickFacts, Persons below poverty level as of 2008, *at* http://quickfacts.census.gov/qfd/states/54000.html

[8] U.S. Department of Agriculture, Economic Research Service. West Virginia Fact Sheet, *at* http://www.ers.usda.gov/statefacts/wv.htm

[9] Bureau of Labor Statistics, Employment Status of the Civilian Population by Sex, Age, and Disability Status, *at* http://www.bls.gov/news.release/empsit.t06.htm

[10] The 2010 U.S. Transportation Construction Industry Profile, Transportation Development Foundation: Transportation Facts: West Virginia.

[11] *Id.*

[12] *Id.*

including older adults, people with disabilities, people in rural areas, and low-income people. New highways exacerbate transportation inequities by extending the gaps between housing and jobs. An equity agenda should favor fixing existing infrastructures and incentivizing filling in metro areas.

For many West Virginians in need of transportation, a vehicle is the only practical, workable solution. While access to public transportation is key, major route transportation is impossible for many without access to a vehicle. Lack of access to affordable and reliable transportation has been cited as one of the biggest hurdles to finding and keeping a job, particularly for individuals with limited income, single parents, and others transitioning to work. The Job Access and Reverse Commute (JARC) program addresses this barrier by providing funds to support the development of new transportation services, services that fill gaps in existing services, or the promotion of transportation use to employment and related destinations.[13] We support the goal of the JARC program of improving access to transportation services to employment and employment-related activities for Temporary Assistance for Needy Families recipients and eligible low-income individuals in rural and urban areas.[14] JARC should be fully funded in the next transportation bill, so that West Virginia can continue to use funds to, among other things, assist low-income individuals to purchase and maintain vehicles.

Public transportation is also an important service for many West Virginia communities, especially for those residents who would otherwise have no way to commute.[15] Where public transportation routes exist, expanding those options could offer some West Virginia residents a good option to commute amidst rising gas and insurance prices and as the cost of car ownership becomes less attainable for low-income communities. West Virginia public transportation plays an essential role in the lives of many of the state's senior citizens, people with disabilities,[16] West Virginians who need to access schools, and those who need access to health care facilities. As with the state's highway system, public transportation also keeps West Virginia's economy moving, providing an affordable, and for many, a necessary alternative to driving. It supports healthy, livable communities; provides environmentally responsible and safe mobility choices that reduce traffic congestion, noise, air pollution, and associated public health risks. It also benefits West Virginia communities through increased business revenues and more tax revenues. In fact, every $1 invested in public transportation projects generates approximately $6 in local economic activity.[17]

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[13] Community Transportation Association. Employment Transportation Briefs: A Guide to Job Access and Reverse Commute Programs, *at* http://web1.ctaa.org/webmodules/webarticles/articlefiles/A_Guide_to_JARC.pdf

[14] State of West Virginia, State Management Plan for Section 5316; Federal Transit Administration, Job Access and Reverse Commute Program, March 2010, *at* http://www.transportation.wv.gov/publictransit/Documents/1a%20-%205316%20SMP.doc.pdf

[15] *See e.g.*, "New Routes Will Help Are," Weirton Daily Times, Dec. 16, 2010; Nicky Walters, "Public Transportation Flourishes in Rural West Virginia Counties," Nov. 29, 2010. ("Passengers and those who serve them say public transportation isn't just for people in the big city. . . . But most agree that without it many places would be off limits.").

[16] *See* Association of Programs for Rural Independent Living: Transportation Act Reauthorization Position Statement: Rural Transportation for People with Disabilities. Jan. 2010. Lack of public transportation is one of the most serious, persistent problems reported by people with disabilities who live in rural America. The next surface transportation authorization bill should require and assist public transportation systems to meet the minimum access requirements stipulated in the Americans with Disabilities Act.

[17] West Virginia Public Transit Association *at* http://www.wvtransit.com/about-wvpta.html

Transportation Equity Promotes Healthy Communities
Transportation decisions contribute to economic and racial segregation in our metro areas. Emphasis on one-use highways (without sidewalks, bicycle access, or rapid bus routes) contributes to this segregation and severely restricts housing choices for people with disabilities, low-income people, and the elderly. When a community is car-dependent, those who cannot afford automobiles or lack the ability to drive cannot live there *even if the rents are within their means.*

Insufficient public transportation also makes transit-accessible housing less accessible to those who do not own their own vehicles. As living in areas like Charleston and Morgantown becomes more appealing to professionals trying to avoid long commutes (often due to sprawl), housing near public transportation in urban cores and older suburbs grows more desirable and prices rise.[18] Lower-income people are priced out, often into suburbs where they have no choice but to bear the expense of cars or to spend hours on multiple buses in order to get to work. Even when rents in the suburbs are lower than in the gentrifying cores, the added expense of a car or the hours lost to commuting lowers quality of life.

Thus, promoting healthy and safe communities should be a priority in the upcoming surface transportation bill. West Virginia, which has the sixth-largest state transportation system in the country, is one of only four states in the nation that has total responsibility for all roads, bridges and highways in the state.[19] According to recent data, 27 percent of West Virginia's roads are in poor or mediocre condition. Nearly 40 percent of its bridges are substandard, 15 percent are structurally deficient, and 22 percent are obsolete. The death rate on West Virginia's roads is more than 50 percent higher than the national average.[20] The new transportation bill should provide sufficient funds for West Virginia to repair and improve its aging infrastructure to ensure that it is safe and well maintained.

Transportation Equity Requires Equitable Decision-Making Power
Our transportation policy has been made by bodies that do not represent all constituents equally.[21] A more equitable transit system is only possible if low-income people, people of color, and people with disabilities have meaningful representation in local decision-making bodies such as metropolitan planning organizations. Everyone should have a seat at the table when transportation policy is developed and funds are spent.

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[18] Residences within a walkable distance of transit stations sell for as much at 30% more than comparable properties not located near transit. Gloria Ohland and Nadine Fogarty, "Capturing the Value of Transit," Planetizen May 11, 2009. "All Aboard! Making Equity and Inclusion Central to Federal Transportation Policy." Available at www.policylink.org at 16.
[19] "2011/2016 Statewide Transportation Improvement Program," The West Virginia Department of Transportation, Dec. 2010, at 10.
[20] West Virginians for Better Transportation. Frequently Asked Questions *at* http://www.keepwvmoving.org/whoweare/faq.aspx.
[21] Thomas W. Sanchez "An Inherent Bias? Geographic and Racial-Ethnic Patterns of Metropolitan Planning Organization Boards". Accessed from: http://www.brookings.edu/reports/2006/01transportation_sanchez.aspx

Transportation Equity Requires Meaningful Civil Rights Protections
To combat the structural discrimination in transportation that excludes communities of color and low-income populations from an equitable share of transportation investments, federal statutory reform and vigorous enforcement of existing provisions are needed. Enforcing civil rights protections to ensure fair and equitable access to the benefits of our transportation system, and prevent disproportionate negative impacts on disadvantaged communities are a priority of civil and human rights organizations.

Transportation policy has always played a central role in the struggle for civil and human rights. Practical access to transportation helps ensure access to good schools and housing, basic services like health care, and the acquisition of job skills and employment opportunities. Conversely, the absence of affordable, available, and accessible transit threatens the civil rights of millions of Americans. Past investment has disproportionately benefitted people in outlying areas, leaving many low-income Americans out of reach of jobs, and forcing others to exhaust their budgets on transportation at the expense of other needs such as health care, housing, food, and education.

We urge you to support transportation investments that focus on equity. We look forward to working with you and your staff in crafting a bill that addresses the needs of all communities.

Community Living Initiatives Corporation (CLIC)
Regina A. Mayolo, Executive Director
Morgantown, West Virginia

Eastlake, Derry & Associates
Mark Derry, President/CEO
Morgantown, WV

Jefferson County, WV Branch of the NAACP
George Rutherford, President and Harold E. Stewart, Secretary
Jefferson County, WV

Jefferson County African-American Community Association
James Tolbert, Chair, Board of Directors
Charles Town, WV

Jefferson County Black History Preservation Society
James A. Tolbert, Secretary
Ranson, WV

Juante Gebape, Inc.
Ann Nawaz, President
Ranson, WV

NAACP West Virginia
Coston Davis, Jr., State President and James A. Tolbert, Sr., President Emeritus

Northern West Virginia Center for Independent Living
Jan Derry, Executive Director

Professor Philip W. Carter
Marshall University College of Health Professions

Star Lodge #1 Free and Accepted Masons- Prince Hall Affiliated
George Rutherford, Secretary
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Center for Rural Strategies
Dee Davis, President

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Statement by
J. Douglas Carter
General Manager
Potomac Valley Transit Authority
Before the Committee on Transportation and Infrastructure
U.S. House of Representatives
Beckley, WVW
February 14, 2011

Chairman Mica, Ranking member Rahall, and other members of the Committee, I am pleased to have this opportunity to offer my views on federal transportation legislation and the issues relating to public transportation in one of the most rural areas of West Virginia.

- The Potomac Valley Transit Authority (PVTA) is a rural public transit system operating in five counties in eastern West Virginia. Our area covers 2,700 square miles with only 81,000 people. We have wide valleys and high mountains in our area that make this one of the most beautiful areas in the nation. What makes our area beautiful also presents mobility challenges to our people. The low population base means that people must travel long distances to obtain necessary medical services and obtain work. PVTA works to address these transportation needs. Past transportation bills like SAFETEA-LU and TEA-21 have given us the platform to build a transit system that is reliable and gives us the ability to plan from year to year what resources we have to provide service and buy equipment.

- In providing service to our area, we attempt to provide the most service for the money we have available. We serve the disabled, transporting people to sheltered workshops and day treatment. We connect seniors with goods and services necessary to maintain their lives. We take people to medical services and we take people to work. A large portion of our service is what I call "niche" transportation. We identify a need and attempt to develop a service that addresses that need. In doing so, we are able to serve larger numbers at a much more reasonable cost.

- Because our service is in a rural area, our ridership numbers may not seem as impressive as some of our urban cousins. Last year PVTA provided 95,000 passenger trips. But in providing those trips, we had a higher cost recovery rate than most of the transit systems in this state, including the urban systems. Last year PVTA's 35 employees operated our 26 revenue vehicles 750,000 miles. Our passengers travel an average of sixteen miles each time they board. We operate seven days per week from 4:15 a.m. until 10:30 p.m. Operating such long hours allows us to connect people to

jobs. We work closely with Pilgrim's Pride Foods in Moorefield, WV, transporting four busloads of passengers daily to their jobs in the processing plant. We also operate seven days per week, two shifts daily for workers at Rubbermaid in Winchester, Virginia. A number of these people would be unable to work if not for PVTA services. PVTA is a member of local Chambers of Commerce, Local Emergency Planning Councils, and Workforce Investment Board.

- The five counties in our operating area support our services, but as a rural area, the level of support is limited. In West Virginia most local tax revenue is generated through property and real estate taxes. As an indication of just how limited tax funds in our area can be, one county is approximately fifty percent federally owned as a national forest area. All of this property is thereby removed as taxable real estate which lowers the level of locally available funding. This makes the availability of predictable federal funding that much more important.

- PVTA has provided service to this area for more than thirty-three years. Over those years we have had our greatest success when we had multi-year transportation formula programs available. The Section 5311 program has allowed us to plan our services based on funding streams that had assurance of continuation from year to year. As we move forward, I urge the extension of SAFETEA-LU and an appropriations bill for FTA for FY 2011. Beyond FY 2011, I support the efforts of your Committee to pursue a multi-year transportation bill which would provide a predictable level of funding.

- As you move forward, we support your efforts to make the transportation program more efficient. One change that might offer some efficiency would be the combination of the Job Access and Reverse Commute, New Freedom, and Elderly and Disabled formula programs into a new Coordinated Mobility Program.

- Thank you for giving me the opportunity to offer my thoughts, Chairman Mica and Congressman Rahall. We look forward to working with you to strengthen the federal transportation program and the development of the next multi-year authorization bill.

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Statement by
West Virginia Public Transit Association
Paul E. Davis, Executive Director
before the
Committee on Transportation and Infrastructure
U.S. House of Representatives
Beckley, WV
February 14, 2011

Chairman Mica, Ranking Member Rahall, Congresswoman Capito and other members of the Committee, the WVPTA is pleased to have this opportunity to offer our views on the pending major federal surface transportation legislation and the issues pertaining to public transportation in small urban and rural areas.

We want to talk about how an authorization bill would affect transit service here in the communities of West Virginia. We support the efforts of the Committee on Transportation and its leaders to pursue a multi-year transportation bill because we need to know what the federal commitment to our agencies will be in the coming years. Without a rock-solid federal commitment, it is impossible to make major decisions like bus purchases, and it is difficult to plan how we will serve the growing need for transit service within our communities .

While the State's highway system is critical to its citizens, it is also important to note that in state fiscal year 2010, 5.9 million West Virginians rode on our State's 18 public transit systems. One million of these rides were on the State's rural transit systems. These systems traveled 11.2 million miles and employ 680 full and part time employees. Public transit service is provided in 33 of the state's 55 counties. Many West Virginians are transit dependent and utilize these services to get to work, the doctor, shopping, and to take care of the necessities of life.

These programs have significant support from local elected officials and their communities. In state fiscal year 2010, 47% of public transportation costs were paid for with local revenues. The continued investment in transit through the formula program is vital to our citizens. Without the formula funds this vital community service would be greatly reduced or eliminated.

We support efficiency incentives and encourage regulatory streamlining. The oversight requirements for the Federal Transit Administration programs have grown expediently and to the point where we question the benefits achieved. We are also in support of combining grant programs such as the Section 5310 program and the New Freedom program to reduce the administrative burden on the states and operate these programs more efficiently. APTA and the transit industry have called for a new Coordinated Mobility Program by combining the Job Access and Reverse Commute, New Freedom, and Elderly and Disabled Formula programs. Funds would still be used on the same types of projects and meet the same needs, but a single program would allow for better planning and coordination. Any increase in funding for the rural program would permit the expansion of the program into our unserved counties. We also support the continued funding of the state administrative expenses at 15%.

As you work to develop new ways for public agencies to collaborate with the private sector, we hope there will be opportunities for medium and small transit systems to participate. We understand that a new bill will have new types of public-private partnerships and expanded financing programs like TIFIA. We feel small agencies can participate if the rules are set up properly and we are offered some technical assistance. When small agencies participate, every part of the country can benefit.

Our last pertinent issue relates to the rules concerning how agencies can use funds depending on the size of our communities. The U.S. Census plans to combine a number of urban areas soon, and when that happens, TTA and KRT will lose the ability to use a portion of our federal funds for operating expenses. There is a proposal within the industry to give more flexibility under the rule to small transit systems, that is agencies with less than 100 buses, who operate in larger urban regions. These changes would not cost a single dollar more from the Mass Transit Account.

People ride public transit to either spend money or make money. No other investment made by Congress has such a positive effect on the daily lives of your constituents as daily access to jobs and the goods and services that are provided through public transit.

Thank you again, Chairman Mica, Congressman Rahall, Congresswoman Capito and other members of the committee. We greatly appreciate the work you do to help federal transportation programs, and we look forward to the next authorization bill.

Paul E. Davis, Executive Director
West Virginia Public Transit Association

WRITTEN COMMENTS

Submitted by Travis Helmondollar

U.S. House Committee on Transportation and Infrastructure
Field Hearing – Beckley, WV
Monday, February 14, 2011

On behalf of the 10,000 Students Against Destructive Decisions (SADD) chapters across the United States, I urge you to use the reauthorization of the highway bill as an opportunity to increase federal support for safety programs specifically targeting teen drivers. Recognizing that motor vehicle crashes are the #1 killer of teenagers in this country, I encourage you to dedicate the resources and attention that this crisis demands.

The National Highway Traffic Safety Administration (NHTSA) admits that they spent $2 million last year on programs specifically targeted at teen drivers. This accounts for only 0.2% (one fifth of one percent) of NHTSA's annual budget. At the same time, teen drivers account for 13% of motor vehicle fatalities. This funding discrepancy is simply ridiculous and tragic.

Last summer, SADD students in Minnesota worked with U.S. Senator Amy Klobuchar in organizing a 'Teen Driving Safety Summit' at Tartan High School outside of St. Paul, MN. During this event, Senator Klobuchar stated, "No single law, or even set of laws, is going to be a cure-all that saves teens from getting hurt or killed on the road. Stronger laws and tougher law enforcement are important and essential. But it's also a matter of personal responsibility for teenagers. It's going to take all of us working together to make a difference." She is absolutely right; I echo her concern. While increased enforcement and stricter laws are part of the solution to saving young lives, it is also essential to empower teens themselves to help shape the behavior of their fellow students.

Following the Safety Summit, Senator Klobuchar introduced the Students Taking Action for Road Safety (STARS) Act in the U.S. Senate. Congressman Michael Capuano introduced the companion bill in the U.S. House. This bill creates a dedicated federal funding stream specifically focused on the safety of drivers under the age of 21. States would use the funding to support peer-to-peer education and prevention strategies in schools and communities to increase safety belt use and reduce speeding, impaired and distracted driving, underage drinking and other destructive decisions among teen drivers that lead to injuries and fatalities.

Thankfully, many states have recognized the value of teens taking action and speaking out to help their peers make safer choices. Peer-to-peer education programs empower teens to educate their peers about safe driving skills and address the major reasons teens are killed or injured in traffic crashes, including distracted driving, driving after drinking or using drugs, speeding and failure to use seatbelts. **An organized and trained network of student leaders in the schools is ideal to deliver safety messages to their peers, and is an effective way to get the word out to the broader teen population about other traffic safety projects.**

States have implemented a variety of strategies to support school- and community-based peer education programs. Often, states are able to utilize funding through existing federal highway safety programs – such as the Section 402 and Section 410 grant programs – to support these efforts. SADD encourages each state to include six key elements as part of any comprehensive peer education effort focused on reducing teen traffic injuries and fatalities:

1. **Full-time State Coordinator:** Each state should have a full-time state coordinator working to develop, support and expand student-led prevention programs focused on teen driver safety. Approximately 25 states currently have a SADD state coordinator, though not all are full-time.
2. **Teen Advisory Committee:** Each state should establish an advisory committee of teen drivers to provide recommendations related to teen highway safety. You cannot reach teens unless you are willing to work *with* teens.
3. **Mini-grants:** Each state should provide mini-grants to schools throughout the state as an incentive for students to establish school-based programs focused on safety. These mini-grants can be used to promote evidence-based prevention strategies and disseminate messages about specific issues such as safety belt usage or changes in the law.
4. **Regular Convenings:** Each state should ensure that at least once a year, the student-leaders committed to traffic safety have an opportunity to convene to network, share best practices, encourage each other, and receive training. Support for participation in national youth leadership conferences can result in improved state trainings and conferences.
5. **Outreach:** Each state should have a website and e-newsletter to share information and useful materials. In addition to disseminating information to teens and their advisors, these communications outlets can be used to educate the public about the tragedy of teen driver fatalities and to enlist key interest groups such as parents in promoting safe teen behavior.
6. **Robust Support and Guidance:** Each state should provide robust support, guidance, training and technical assistance to ensure the effectiveness of the student-led prevention programming in the state. Student leaders will be able to produce better outcomes if they are utilizing proven effective prevention strategies and frameworks and if their adult advisors are fully prepared to support and guide them.

It should be noted that in the Governors Highway Safety Association's recent publication, *Protecting Teen Drivers: A Guidebook for State Highway Safety Offices*, peer programs were recognized as one of six strategies either proven effective or demonstrated to show significant promise in addressing teen driver safety.

It is my hope that the STARS Act will be included as part of the next highway reauthorization bill and that subsequent funding will allow states to enhance and expand existing efforts to improve teen driver safety.

Submitted by:

Travis Helmondollar *Development Coordinator*
West Virginia SADD

307 Federal Street, Suite 305
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Testimony on Behalf of Hatfield-McCoy Trails

Submitted by Jeffrey Lusk
Executive Director, Hatfield-McCoy Regional Recreational Authority
House Transportation and Infrastructure Committee
Beckley, West Virginia Field Hearing
United States House of Representatives
February 14, 2011

Thank you for this opportunity to submit written testimony for inclusion in the record. As Executive Director of the Hatfield-McCoy Regional Recreational Authority, I know first hand the significant beneficial impacts that the Hatfield McCoy Trails have on Beckley, West Virginia as well as many other communities and across the state.

I provide this testimony to encourage the Committee to support the reauthorization of the Recreational Trails Program (RTP). I know you have many priorities to address, but the RTP continues to play an important role in sustaining the Hatfield-McCoy Trails, which have in turn revitalized rural economies in southern West Virginia.

Background on Hatfield McCoy Trails:

For those who have not had the opportunity to visit us on the trails, I would like to provide just a bit of background about the trails and the reason they have been created. The Hatfield-McCoy Trail System is a statutory corporation created by the West Virginia Legislature to generate economic development through tourism in nine southern West Virginia counties. The Trail System covers more than 500 miles of off-highway trails in five of its nine project counties. Each of its six trail systems is open 365 days a year to all-terrain vehicles (ATVs), dirt bikes, and recreational off-highway vehicles (ROVs). Many of the trail systems also offer community connecting trails that allow visitors to access "ATV-friendly towns" to experience the charm of southern West Virginia.

Currently, the six Hatfield-McCoy trail systems are Rockhouse, Buffalo Mountain, Bearwallow, Indian Ridge, Little Coal, and Pinnacle Creek. Trail visitors can expect to find a variety of trails ranging from easiest to most difficult. The overall goal of the Hatfield-McCoy Trails project is to develop a world-class trail system with an emphasis on safety in each of its nine project counties throughout southern West Virginia. Project estimates have concluded that once the trails are developed and linked, there may be as many as 2,000 total miles of trails. Long-term plans for the Hatfield~McCoy Trails also include a 4x4 park in Kanawha County and designated trail areas for equestrian and other non-motorized users.

Economic Impact:

In 2006, Marshall University's Center for Business and Economic Research completed an Economic Impact Study for the Hatfield-McCoy Regional Recreation Authority. Research gathered for the study and its results collected in 2005, reflect the impact on the

Hatfield-McCoy Trail System's project area and Southern West Virginia. The study is attached for inclusion in the record.

For background, it is important to note that the economic base of the region served by the system is one of the poorest areas in the U.S. with incomes, wages and earnings well below the national and West Virginia averages, though in 1969 the figures for all three were virtually identical. In 2004, while West Virginia's per capita income was only 78 percent of the national average, the Hatfield McCoy region's was only 63 percent. For earnings, West Virginia was only 68 percent of the national average and the study region's was only 48 percent. The Hatfield McCoy Trails System is a major factor in improving the economic conditions of the area.

While the full study is attached I think it is important to highlight some of the key findings here:

- For the State of West Virginia the total economic impact of the Hatfield-McCoy Trail System was an **increase in output of $7,776,116**, an **increase in income of $2,789,036** and the **generation of 146 new jobs.**

- **The increase in output, incomes, jobs and state revenue would not have happened in the absence of the system.**

- West Virginia experiences increases in State revenue from the Hatfield-McCoy Trail System. The total amount from all sales taxes that is created by the system is $622,752. The amounts from each tax displayed by source are given in Table 19.

The overall conclusion reached in the study is that the Hatfield-McCoy Trail System is and will continue to be an important component of the economic development of West Virginia and of the southern part of the State. It will be a catalyst for further development and expansion. As tourism grows it will bring increased visibility to the region as well as its attractiveness for location of other types of business.

Recreational Trails Program:

As the Members of the Committee are aware, the Recreational Trails Program was created by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), reauthorized in 1998 as part of the Transportation Equity Act for the 21st Century (TEA-21) and reauthorized again in 2005 through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Funding for the RTP, which is administered by the Federal Highway Administration, comes from the federal taxes paid on gasoline used in nonhighway recreation and is distributed to the states based on a formula that recognizes the user-pay/user-benefit character of the program. RTP funds are distributed through the state transportation departments and natural resource agencies in cooperation with citizen advisory committees and a network of organizations and communities. These partners leverage available funding with cash and

in-kind support. Nationwide the RTP has successfully funded in excess of 15,000 projects across the nation over the past 19 years.

Here in West Virginia the RTP is instrumental to the success of the Hatfield-McCoy Trails. We routinely receive RTP grants that allow us to build and maintain trails that have been demonstrated to provide an enormous economic boost to otherwise depressed rural areas. The economic diversification our trail system has provided has led to the development of over 30 new businesses providing food and lodging to trail riders. During the great recession that has gripped our nation for the past three years the trail system saw growth of over 15% in its permit sales and ridership during that period. These numbers show the impact on the communities as well as the need riders have for this type of project. The opportunities that recreational trails can provide is enormous, from business development to tourism opportunities it truly can the face of an area. It is truly a win, win for all parties.

Again, thank you for holding this important hearing in Beckley. We look forward to working with the Committee as you continue your work on transportation reauthorization.

Chairman Mica and Representative Rahall, thank you for letting me provide written comments on the reauthorization of the highway and transit bill.

Bluefield Area Transit or BAT serves Mercer and McDowell counties in southern WV. We provide efficient transportation by using various vehicles for different needs and by providing deviated fixed route service where needed and demand response service in other areas.

We provide public transportation to work, college, social services, senior centers, medical facilities, and shopping throughout the area. We also provide Non Emergency Medical Transportation for the area, in some cases those needing medical transportation can only be served by a SUV or similar four-wheel drive vehicle.

We work with all the various social agencies to provide low cost bus passes to help get clients to appointments, jobinterviews, rehab facilities, and heath care facilities. We also work with local hospitals providing transportation to and from hospitals; we often get calls from hospitals that a patient is being released but has no way home. There are many customers that would not have transportation to dialysis if it were not for BAT providing this crucial service.

Last year BAT provided almost 170,000 rides to our citizens in Mercer and McDowell counties, of those almost 110,000 or 64% was for the elderly, 5147 for handicap non wheel chair and 721 wheelchair transports, and with the nation getting older those figures will only grow.

We have a fleet of 25 vehicles ranging in size from 27 passenger transit buses to 24, 18 and 15 passenger buses, hi top vans, min vans and a 4 wheel drive that collectively traveled 632,000 miles last year.

BAT started out as a trolley car system in the early 1900's serving Bluefield and Princeton. As time went on it became Tri City Traction and then Gateway Transit Authority. In early 1990 Gateway Transit Authority fell on hard times and was about to discontinue service, the City of Bluefield stepped in along with the Division of Public Transit and saved the service. The name was changed to Bluefield Transit System. In 1999 we were able to add Downtown Princeton to the system. In 2000 the leadership inMcDowell County asked the Division of Public Transportation for transportation service in McDowell County. It was not economically feasible to start a new service in McDowell county with administrative and maintenance operations so Susan O'Connell, the Director of the WV Division Public Transit, met with the leadership in The City of Bluefield about expanding into McDowell County and a deal was worked out to service both counties through BAT. When the City of Bluefield took the system over in 1992, BAT only had 3 routes, 5 vehicles and 5 employees; today we have 8 routes along with NEMT service and currently employee 12 full time positions and 14 part time positions.

Our local support comes from the City of Bluefield, the City of Princeton, Concord University, Division of Rehab, along with fares and pass sales. Our breakdown for funding is as follows:Federal 39%, state 19%,local 19%, and passengers 23%.

While there is a definite need to lower the budget deficit, we need to be careful where to make the cuts as to not make the economy worse. Transportation funding cuts are not the best choice for several reasons. When you cut transportation spending not only do we have direct job loss but there is also trickle down loss. Funding cuts mean service cuts that supply transportation to job sites, no transportation no job. If you have service cuts you don't need vehicles so that affects manufacturing jobs.Cutting funding for health care transportation means that people cannot get to doctor's appointments, making what was a small problem a big one and the patient could endup in the hospital, thus higher health cost. Funding cuts for transportation during a time of fuel increases, like we are seeing now, is a double edge sword. Our ridership always goes up as fuel prices go up, but with funding cuts causing disruption in service many citizens, that cannot afford to drive, will lose their bus service leaving them with no way to get around.

I recognize we do need to be more efficient and I support a more streamlined approach to transportation. If efficiency incentives are introduced they need to be done on a state by state basis. What works for California does not work for WV, nor can Bluefield be compared to Dallas.

Funding for technologies that help us be more efficient should be funded at 100% but no less than 80/20. It's difficult especially for the rural systems to come up with funding to help their systems be more efficient through GPS tracking, routing, scheduling software, maintenance technology, and communication devices.

Thank you again, Chairman Mica and Congressman Rahall. We greatly appreciate the work you do to help federal transportation programs, and we look forward to the next authorization bill.

Respectfully submitted:
Patrick McKinney, CCTM, Manager
Bluefield Area Transit
Bluefield, WV

Remarks from Rebecca Poe, Director
Country Roads Transit
Elkins, West Virginia

Chairman Mica and Representative Rahall, thank you for letting me provide written comments on the reauthorization of SAFETEA-LU.

I want to share with you what we consider the value of rural transit, and what it does for the people in Randolph and Upshur Counties, WV, and all rural areas of West Virginia.

We started Country Roads Transit in 2006 after many planning meetings, needs assessments, and with the support of my board of directors, The Committee on Aging for Randolph County. We are the youngest system in West Virginia.

Our agency had an effective senior transportation program in our large rural county, but many other people simply didn't have a ride – to physician appointments, to purchase groceries, or anywhere. Taxi systems come and go, and we haven't had a good one in many years.

It's a challenge to serve a rural county. Randolph County is the largest county East of the Mississippi, with 1040 square miles, and 27 people per square mile. We are mountainous, with the highest point in WV in our county, Spruce Knob at 4863 feet in elevation. Our state Division of Public Transit only funds multiple counties, so we added Upshur County to our service area. Upshur is 395 square miles. Maybe you've heard of the Randolph County seat, Elkins, on the Weather Channel, "coldest spot in the nation, Elkins, WV."

We had to find "partners" to help fund the match for Country Roads Transit. I spoke to County Commissions, City Governments, Rotary Clubs, Ruritan Clubs, hospitals and health clinics, physicians, and anyone who would listen to a woman who was determined to get this project off the ground. And, I was out of my comfort zone. Senior Center directors don't have to seek match for their projects. It's provided by state government and the WV lottery. But we found the match, and our partners continue to support us today!

We offer our services two ways – with flexible route service in Elkins and demand response for the rest of the county and for Upshur County.

We serve many different people, seniors, disabled people, Veterans and people who just need a ride.

On the first day of operation, our dispatcher answered a call from a client in Dry Fork, 30 miles from our office in Elkins. He was inquiring about a ride with Country Roads. Because the client is in our farthest "zone", the cost was $10 each way. The client was delighted! He had been paying a neighbor $70 to bring him to Elkins once a month to shop – traveling with Country Roads put another $50 in his pocket! This is significant to a low income individual.

Where do we go? Physicians, hospitals, clinics, cancer centers and dialysis centers are very important destinations to our riders. Upshur County has a Federally Qualified Health Center, and it is an important destination. A group in Randolph County has applied to establish a Federally Qualified Health Center in Harman, Randolph County, and we will be their partner, transporting clients to and from the Center.

West Virginia's Ruby Memorial Hospital is 75 miles from Elkins, and we have 4 scheduled trips there each month.

We take clients to the grocery store, Senior Centers in Randolph and Upshur counties, the hairdresser and vet.

We transport many clients to mental health clinics, WIC offices, Department of Health and Human Resource offices, and to school through the SPOKES program.

One of our services that I'm proud of is transporting children from a low-income area in Upshur County to an after school program. We pick them up at the bus stop – and do this because the Board of Education can't provide the service.

We transport several people to their place of employment – and hope to do more of this when we can expand our hours. We're working with the local Housing Authority on a grant (which has been approved) to build housing on our route in Elkins in order to provide decent housing and transport low income people to their place of employment. This is exciting!

Last year we provided 16,864 rides. 9,002 of these riders were elderly, 1,537 were individuals with disabilities and needed a wheelchair. Another 392 were individuals with disabilities but didn't need the lift equipped vans.

We traveled 131,438 accident free miles last year. We've been accident free since the program started in 2006, something I'm proud of also.

All public transit isn't big bus, rail, or the venues many people think of when they hear the term "public or mass transit." Our transit has 12 vans and 16 employees, 13 full and part time drivers, 1 dispatcher, 1 part time Operations Manager and a part time Safety Officer. Only 4 of these employees are full time.

Shortly after Country Roads began operating in 2006, an old friend stopped by the office. She had just moved back from Columbus, Ohio and was thrilled to see transit in Randolph and Upshur County. She made a statement to me that stays with me today: "It's gratifying to me to see that we have a big city service in our small town."

I hope our story adequately demonstrates the need for the continuation of transit formula funds in both the urban and rural areas of our state. This program has become a vital and integral community service in Randolph and Upshur counties. With increased funding, other West Virginia counties could receive the same benefits.

Thank you again, Chairman Mica, and Congressman Rahall. We greatly appreciate the work you do to help federal transportation programs, and we look forward to the next authorization bill.

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DIVISION OF PUBLIC TRANSIT

Statement by
Paula S. Smith
Executive Director
Tri River Transit Authority
before the
Committee on Transportation and Infrastructure
U.S. House of Representatives
Beckley, WV
February 14, 2011

Chairman Mica, Ranking Member Rahall, and other members of the Committee, thank you for allowing me the opportunity to explain what the reauthorization of the highway and transit bill means to our rural counties in Southern West Virginia.

- When Tri River Transit began service in January 2000, we started with four vehicles and one county. We have grown each year to encompass four counties with a fleet of 17 vehicles and employ 25 full and part time individuals.

- Tri River Transit has nine bus routes and non-emergency in Boone, Lincoln, and Logan counties. The passengers we serve are seniors going to the grocery stores, doctor appointments or just trying to keep their independence by going out shopping for the day. Our service also allows people to get to work every day. If our rural communities didn't have this service some passengers wouldn't have transportation to get medical treatments.

- Without federal funding rural communities in Boone, Lincoln, Logan, and Mingo Counties would not be able to access public transportation services.

- Tri River Transit ridership continues to grow each year and, in year 2010 we had over 56,000 one way passenger trips. Since Tri River Transit was established in January 2000 we have had of 400,000 riders. We are confident that this pace will continue well into the future. This would not have been possible without the Federal Transit Administration's Section 5311 program and state and local support. Tri River Transit has a bright future and with your continued support

Lincoln, Logan, Boone and Mingo Counties will continue to greatly benefit from this vital community service.

- Tri River's rural transportation story is similar to many communities across our nation. The continuation of the Section 5311 program at adequate funding levels it vital to our Southern West Virginia communities. This funding has allowed us to move into a new operations facility where we will be able to more efficiently maintain our fleet. By operating a regional transportation system, we are been able to stretch the federal funds available by eliminating administrative and maintenance expenses in four counties. This service has also benefited greatly from the Rural Transit Assistance program through its many opportunities.

- Again, I would like to thank you for your ongoing assistance and support you do on our behalf.

Mr. MICA. Now, let's turn to a round of questioning, and what I'm going to do is yield first to our host this morning and again the leader on the Democratic side of the aisle. Mr. Rahall, you are recognized, sir, for questions.

Mr. RAHALL. Thank you, Mr. Chairman, I appreciate that, and I certainly want to thank the panel for their expert testimony this morning. As the committee has so well heard, these individuals have devoted their lives to building a better infrastructure for our state of West Virginia, providing good-paying jobs for our people, jobs through transportation. Indeed, that's the motto of the Rahall Transportation Institute, as Dr. Nichols knows.

It's been demonstrated certainly by Mike Whitt in his testimony that we in West Virginia, as in many rural parts of our Nation, have to these days look at unique ways of leveraging scarce Federal dollars in order to attract more dollars, whether it's from the private sector, other Federal agencies, or other levels of government. Our state of West Virginia under Secretary Mattox's leadership has been an excellent partner in building transportation networks.

This state has been able, with no problem whatsoever and again with Senator Browning's leadership in the Legislature, to come up with the 20 percent match on every earmarked project that myself or any other member of the congressional delegation has been able to secure for the state. These earmarks that have been referenced by the testimony are important. I happen to strongly believe that an elected representative knows his or her district better than an unelected bureaucrat in Washington or even the President of the United States. And if we were to eliminate such a process known as earmarking, we would only empower those unelected bureaucrats in Washington and/or the President of the United States to have more leverage over Members of Congress. So I'm a defender of that process when it is open and transparent. And as chairman and my good Members of this Committee know, we have made the process very open and transparent. And as each of you know when applying for earmarks, there is an application process. You have to certify a level of support. It's not Washington dictating what comes down; it's what comes up from the local level.

That local support has to be there. It's certification that no one is benefitting personally from an earmark, and also the Member of Congress requesting such an earmark has to reveal that on his or her website. So as long as it's an open process, I strongly—and a transparent process, I strongly defend it.

I would like to ask Secretary Mattox. You mentioned design/build in your testimony. Mike Whitt and a couple others referenced smart construction. I believe Mike asked the question, "Why would you build a highway without putting in place the ability to have utilities?" Included in smart construction—design/build and smart construction, are we talking about the same thing? Mr. Whitt.

Mr. WHITT. [Nonverbal response.]

Mr. RAHALL. I didn't think so. Paul, would you elaborate a little bit more on design/build?

Mr. MATTOX. Yes, Congressman. Thank you. Design/build, which has been employed in West Virginia for the past few years, is a process where you combine the engineering work with the construction work concurrently, and it results in a tremendous savings of

time, and time is money. An thus far our success has been very good using the design/build procurement method in West Virginia.

We are currently looking to the design/build/finance on a new project. Hopefully, we will do it later this year.

It's a large construction project, part of our Corridor H Highway System and part of the Appalachian Development Highway System here in West Virginia. And we are looking to meet the employee deferred payment to contractors on that project, to allow us to spend future Federal dollars now and pay the contractors those future Federal dollars that come to the state of West Virginia.

We like the design/build process. We continue to work with the Contractors Association and the Legislature to continue that legislation that is now currently set to sunset. We are looking to extend that program possibly till 2013. Hopefully, at some point in time, we would have no sunset and that would be a permanent tool in our toolbox.

Mr. RAHALL. And, Mike, the public/private partnership, can you relate to the committee any problems you've had in that particular area, since you've implemented it so well in Mingo County?

Mr. WHITT. Early on, when they agreed to do this public/private, that's something I was not part of. But there's a couple things we felt like if we would do differently, it would make the process a lot easier. Number one, on the front end, include the prevailing wage and, also, you know, put it out to open bid. There was so much public saying in this first project here that—you know, the determination was made there was so much public benefit, we need to go forward with the project, and that's what we done.

But we are working on two other potential ones. One is the post mine land use that Mr. Mitchem mentioned, Consol. I mean, we've got an MOU signed by everybody involved; the Federal highways, the state highways, the congressional folks, the land company, the coal company. They're going to build six miles of this road, and to meet the standards of the Federal and state highway administrations, they're going to build it to rough grade, and then they're going to donate it all to the West Virginia. So we don't owe them one public penny. It's held up, though. It's a mining permit. EPA has got it held up, and it's been held up for a couple years. So they are working on that as we speak.

But if we can't leverage and take advantage of opportunities like that—they just come along once in a lifetime. You know, most people just get an opportunity once. We've been blessed. The Lord has had his hand on us, because we got a second chance to do something constructive for our people down home and for the state of West Virginia, and that's what we're trying to do. Thank you.

Mr. RAHALL. Thank you.

Yes, sir. Richard?

Mr. BROWNING. Congressman, if I can add to that, we have had two successful public/private projects in the state thus far, and we're working on a third now, I guess, with U.S. 35.

The problem with both the first two, we did it without legislation authorizing public/private projects. We did it within existing law. Now, we began working on a public/private project bill in 2002. Paul, I think we passed it in what, 2008? So we have laws in place now to further enhance the building of those types of projects, and

I didn't get to it in my testimony awhile ago, but that's one of the key issues of things that we have to come up with, more and better innovative ways of highway financing, and that's just one of the tools in the toolbox to do that.

Mr. RAHALL. And you found particular interest—your reference to the state gas tax, we did raise it twice in West Virginia, I believe, under Governor Caperton's administration.

Mr. BROWNING. If I can elaborate, we raised our gas tax in 1993 a nickel in anticipation of Federal dollars coming into the state. We renewed that two years ago. So, additionally, in that space of time we implemented a RAT tax, which brought in more state dollars for road funding in West Virginia. As you know, Congressman, our state is different than most states. All of you who flew in here, you flew across our mountains. You see how terrain-challenged we are.

I think Mr. Mitchem mentioned that it cost $28 million per mile to build roads in this state on the average. That's higher than I thought it was, and evidently inflationary costs have gone up.

You know, a small state like West Virginia, we can't tax our people enough to build the roads that we need, so we have to have more Federal help. And one thing that I hope that we do in this next Federal highway bill is something that Senator Byrd always worked on very hard, was to keep the donor/donee ratio where it is so that we do get the additional dollars that we need to maintain our highway system. You know, we're looking now with legislation in our state and our state senate today of taking excess rainy day fund money and putting it toward transportation. We're looking at bringing more coal severance tax back to coal-producing counties to help out with road construction. So we are turning over every rock we can in our state to find additional highway dollars to meet the need, because as you look around, it's not happening.

You know, in the ten years of the 1990s, the number of tractor-trailer rigs doubled on our highways because the economy was racing. If we had that kind of economy today, I don't know how we could do it. I think our transportation system would bottleneck in such a way that we couldn't.

Mr. RAHALL. And I think a small state like West Virginia should be recognized or receive a benefit, as well, when the state steps up to the plate, so to speak, and raises the gas tax. There should be that recognition among the Federal level, that you should receive credit for it in attracting more Federal dollars.

And I might say, also, that people—in my experience, when you convince them that that money that you raise through a gas tax is going back into transportation, not some black hole called deficit reduction—when it goes back into transportation and they are assured it's going to come back in transportation, they can stomach it a little better—not very well, but——

Mr. BROWNING. I never hear a complaint about building roads.

Mr. RAHALL. Beg your pardon?

Mr. BROWNING. I never hear a complaint from a constituent about building roads or paying additional gas tax. Now, we have had some toll issues with some of the residents of the state. But, you know, the reason that I suggest that it has to be raised federally is because our gas tax right now is higher than all but one other neighboring states, so to keep our borders competitive with

our neighboring states, everyone has to go up to maintain that stability. So, again, we stepped up in West Virginia. We have raised the tax when it's been necessary. Again, we're looking at alternative ways now to fund roads.

Mr. RAHALL. Mike, do you have a comment?

Mr. CLOWSER. Thank you, Congressman. Just as a follow-up on my comment earlier about West Virginia and whether we can use alternative financing mechanisms. When we talk about public/private partnerships like the one that Mike has done on the Coalfield—or in the Coalfields, that has been a marvelous project, because you have a private landowner that's doing the work anyway, and we're incorporating that as part of the roadway once we get to the paving process.

There is a difference between a public/private partnership that we're doing in West Virginia than, say, what Florida is doing in their public/private. And Florida, as the Chairman knows, is doing a lot of public/private partnerships to build their new highways in their state. A true public/private, as we understand it—and we've seen it work in other states—is when you get a private developer that's going to come in and basically build that road for the state and then be repaid over the next ten, fifteen, twenty years from user fees. And what we have looked at in West Virginia, given our rural status and the cost of money for a private developer coming in and funding a road, who cannot obviously fund it or cannot borrow at the same rate as the Federal Government in the state, utilizing a public/private partnership in the state of West Virginia or other rural roads, we think we're going to be very limited. It does have its applications and is working well under this scenario, but for us to go out and say we're going to complete Corridor H, given the traffic count on that, or other roads in the state, we see the public—as the senator said, public/private is a tool in the toolbox, but it is not going to be a saving grace going forward to build and maintain our highways in West Virginia. And that's where we think the Federal funding needs to be predominant and needs to be a presence.

Obviously, we agree with our learned senator here on raising the gasoline tax, but those are the type of things that as you go across the state and go across the Nation, you're going to have different applicability from area to area. And while public/private is a tool that we passed a couple years ago to allow us to do that, we feel it's going to be very difficult to build roads going forward if we're using only that money.

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. MICA. Thank you. Let me yield now to the gentleman from Tennessee, Mr. Duncan.

Mr. DUNCAN. Well, thank you, Mr. Chairman. And, first of all, I want to say, you know, that I'm a very conservative Republican, but I agree with Ranking Member Rahall on the earmarks. That was sort of a false issue. Earmarks were less than half of one percent of the total Federal budget, and I heard Senator Inhofe a couple weeks ago speak to a group that I was in, and he is a Republican who favors earmarks, and he said of Sean Hannity's 102 worst earmarks, his staff went over them, and every one of those

102 was a bureaucrat's earmark and not one of them came from a Member of Congress.

But let me say this. I've served on this committee now for 22 years, and I can tell you that over and over again we hear testimony—for instance, when I chaired the Aviation Subcommittee, we heard that the main runway at the Atlanta airport, the newest runway which is several years old, took 14 years from conception to completion, but it took only 99 construction days, and they did those in 33 twenty-four-hour days because they were so relieved to get all the final approvals in. They were almost all environmental delays.

And then three or four years ago we heard that a southern California road project that was either nine or twelve miles—I can't remember which, but it took 17 years from conception to completion, once again, all because of the environmental delays.

We have given far too much power in this country to environmental radical, and we all are going to have to work to greatly streamline those environmental rules and regulations and red tape, because that's what throws the cost of everything out of whack and all these delays no matter what it is.

We have a six-year limit on chairmanship on the Republican side. So I chaired the Aviation Subcommittee, and then I chaired the Water Resources and Environment Subcommittee, and now I chair the Highways and Transit Subcommittee. And all these things that come out of our committee—all these things we are told take about three times as long on the average and about three times the cost because of all these environmental rules and regulations. And I know all of these environmental radicals come from very wealthy and very upper income families, but they are really hurting the poor and the lower income and the working people in this country.

And then you talk about losing population. I read two years ago that two-thirds of the counties in the U.S. are losing population, and the small towns and rural areas are having real difficulty holding on already. And then they say that gas is going to go to five dollars or something a gallon. We have a Secretary of Energy, and I know nothing about him other than I read that a few months before he became Secretary of Energy, that he said we should be paying the same price for gas as they do in Europe. At that time, the average price for gas in Europe was eight dollars a gallon. I'm one of the few Republicans, I guess, who would vote for a gas tax increase if we could lower the price of gas, and I honestly believe that we could do it if we'd just start producing a little more gas and a little more oil in this country, because I don't believe that we'd have to produce anywhere near all of it, but if we started producing a little bit more, these Middle Eastern countries, I think, would get shook up and they couldn't keep raising their prices like they do.

And I'm going to get a bunch of other stuff off my mind, I guess, while I'm here. But what we need to do is stop—we need to stop spending hundreds of billions on these unnecessary foreign wars and start spending money on doing some things here in this country.

But east Tennessee—now, when Lee Greenwood sings about the hills of Tennessee, he's singing about my part. Some of it's moun-

tainous, some of it's hilly, and some of it's flat in the valleys. And what I'm getting at, you say $28 million a mile, but there is wide variations, is there not, Mr. Secretary? I mean, if you're blasting a new road through a mountain, boy, it's going to cost a lot of money.

But if the road is already there and you're just trying to improve the road, it's not as much. And then you do have some valley places where maybe while it's not totally flat, we have hardly any totally flat places in east Tennessee, but some of them are a little bit flat. I was amazed, Mr. Whitt, to hear your testimony about a road that was estimated to cost $400 million, and it cost $130 million. Of all the hearings I've been in, I've never heard such a lower figure come in on any major project, and I'm fascinated with that, and I'd like to know more about it.

Were you building in a semi-flat place or was there already a road? Did you have to blast through a mountain or what?

Mr. WHITT. This is right on top of a ridge, of a mountain. The difference in that, in a lot of areas you won't have the same opportunities that we have down in my part, because we've got some pockets of coal that was left there years ago, and that reduces the public input. Every time, the coal we find there, they sell that, and then that reduces the public input of funds. Three miles of this was 100 percent post mine land use for the mine operation that they left to rough grade, which I think the Secretary—and probably four or five years ago, he and the Governor came up with that price tag down in our area. We're building this road on top of a mountain, so you're taking the whole mountain off to build the road, rather than putting it down in a valley and wiping everybody out, because that's where we live is right now in a real narrow valley that's flood prone. And, Mr. Secretary, the numbers are still approximately $28 million a mile without any kind of help and about—if we do it as post mine land use, it's about somewhere between 4 and 5 to finish it out with the finished grading, drainage, and paving. Am I correct?

Mr. MATTOX. It's 5 or 6 to finish it out.

Mr. WHITT. That's the kind of prices we are—and if we can't—if we don't do it that way down there, we just can't get it done. We don't have that many funds.

Mr. DUNCAN. I met with the head of the Federal Highway Administration a few days ago, and I'll tell you we need to send our staff and he needs to send his people, and we need to find out every little detail of how you did that, because I can tell you in all the hearings I have been in, 99.9 percent of the time we hear about projects costing way more than what they were originally estimated. Of course, we need to build it more to incentivize companies that complete projects cheaper, but, at any rate, I commend you for that.

Mr. WHITT. Our Federal highway administrator, who is in attendance here, and Secretary Mattox—I'm sure they can provide a lot of information to them about this project, because they are the ones that negotiated it all out, and May 7, 2004, is when we started it.

Mr. DUNCAN. Well, if we're going to send these gas prices over five dollars or so a gallon, we can't raise the gas tax if it's going

to go way up. But I'd really hate to see that happen, because people in small towns and rural areas generally have to drive further distances to go to work in the first place, and it would make them tougher on them.

But thank you very much. This was a real good panel.

Mr. BROWNING. If I could weigh in on that just a second.

Mr. DUNCAN. Sure.

Mr. BROWNING. If you asked about the cost savings, the cost lies in the fact that there's coal in the ground, and the coal seam has generally stayed at the same elevation, just like bands around a baseball. And if we can locate our new road construction at the proper elevation to take advantage and maximize the coal that's in the ground and also to route the road where, you know, we can do that, then that's where the savings comes in that he's talking about.

That's one of the innovative ways of building roads that we're doing in West Virginia.

And one more thing, he mentioned our Federal Highways Administrator. There is none better than Tom Smith. Tom is very open to new ideas, and he makes sure that his whole staff listens when we come to him with ideas about this or that. He never says, "No." He says, "Let's see how we can get it done."

Mr. WHITT. He thinks outside the box.

Mr. DUNCAN. Well, that's a real compliment. That's great. Thank you.

Mr. MICA. Just for the record, did you want Mr. Rahall to name Mr. Smith and his position? Just for the record, do you want to recognize him?

Mr. RAHALL. Tom Smith, our Federal Department of Highways Administrator.

Mr. MICA. Thank you.

Let's now recognize the gentlelady from Hawaii, the one that's come the furthest, Ms. Hirono. Thank you so much. You are recognized.

Ms. HIRONO. Thank you very much, Mr. Chairman. There's no question that our entire country is far behind in support for our infrastructure. I think that—well, having sat on this committee for going on my fifth year now, we're probably a trillion dollars behind in our various transportation infrastructure needs in this country. And it's clear from your testimony and from all the discussions I've had in Hawaii, across the board, I think, all states are far behind in meeting their transportation needs.

So one of the things we talked about in this committee is the need to promote intermodal collaboration. We currently have these SILO trust funds at the Federal level.

We have the highway trust fund, we have the airport trust fund, we have the harborage trust fund, and these folks generally do not work together. And so one of the ideas was to create a process whereby everybody has to work much more collaboratively because, after all, these modes of transportation—the purpose, I think, would be to move goods and people in the most efficient, effective way possible. And so just because you're in Hawaii and people come by plane, then they have to get on our buses or whatever our modes are, and it should be of a piece. Would you agree with that,

that you would like to see some reflection of this need to collaborate in the new FAA Reauthorization Bill that our Chairman just submitted this Friday?

Mr. BROWNING. If you want my comment——

Ms. HIRONO. Yes.

Mr. BROWNING [continuing]. It's in my testimony. I asked you directly not to cut any form or mode of transportation. It's all important.

Ms. HIRONO. But what about the need for people to collaborate?

Mr. BROWNING. That's what I'm saying.

Ms. HIRONO. OK.

Mr. BROWNING. We can look at programs, and, you know, they come and go. But the forms, the modes of transportation, please, please do not cut those.

Ms. HIRONO. I think that is definitely coming down the pike and that the cuts are definitely coming down the pike, and we're going to—I hope that we'll hear from all of you.

And I would also suggest if you haven't seen the FAA Reauthorization Bill, that, yes, relates to airports, and we in aviation haven't heard particularly about that. But those of you who deal with all of your transportation needs, not just one mode, I'd ask you to take a look at that bill. And if there are specific areas that we ought to be looking at and changing, reflecting the needs that we have, I'd appreciate that.

I know that one of the other problems that you all mentioned are delays in projects. And, yes, a lot of them are approvals that we need to obtain from the EPA, and I have to—I think I have a slightly different perspective on these so-called environmental radicals. I'm not a fan of environmental radicals, but I am a fan of people who care about our air quality and water quality. So I'm not for unnecessary regulations and requirements, and that's an ongoing issue that we have to look at. So my friend, Mr. Duncan, and I may possibly disagree, but maybe not.

So regarding unnecessary delays, another idea that was incorporated in the FAA reauthorization bill, as it emerged from the House last time, was to establish some procedures to make sure that the Federal highways people and all other authorities are moving as expeditiously as possible. And so there was language in there to make sure that they are reporting that things are moving along, that we're not just doing sequential requirements and approvals, but that these things could operate on a parallel track to decrease some of the time it takes. Fifteen years is a long time for, you know, a project to gain various approvals and for construction to start. So would you also support that kind of language in the transportation authorization bill?

Mr. BROWNING. I think one of the things that has been mentioned here today is design/build. You know, we know that if you do a project design/build, it happens faster. You're taking a whole step out of the evolution of it. The other thing is the public/private funding. When you get private industry involved, that seems to speed up things also.

Ms. HIRONO. I don't think we want to do anything in this bills that would stymie or put roadblocks in for whatever innovative ways that the states and the counties want to and the local au-

thorities want to use in their toolboxes, so if there are any of those kinds of language in the various transportation authorization bills, I'd welcome your comments on that. I was curious as to—Mr. Secretary, you mentioned how important ARRA was for meeting our transportation needs.

How much of the ARRA infrastructure money came to West Virginia?

Mr. MATTOX. The Division of Highways received about $211 million, and we were able to do some much needed paving of our interstate highway and even the corridor system, and we also did a number of bridge deck overlays with that funding.

We were also able to start one project here in the Beckley area, the East Beckley Bypass, the first stage of it, with that funding.

Ms. HIRONO. There was ARRA money, though, for also aviation and others. Do you know what the total was for the various infrastructure——

Mr. MATTOX. I believe transit was in the neighborhood of $19 million and aviation in the neighborhood of $35 million.

I believe that number is correct.

Ms. HIRONO. So you got about almost, what, $250 million or $300 million, and it worked well for you folks?

Mr. MATTOX. It worked very well. We put a lot of people to work with those funds, and we now have projects that the people are utilizing.

Ms. HIRONO. This may be a loaded question, but would you support further funding, ARRA type funding, for infrastructure for all the states?

Mr. MATTOX. Here in West Virginia, we had over $1 billion worth of work that we could have put into construction in a very short time period, so we not only would support it, but we're ready to go.

Ms. HIRONO. What about the rest of the members of the panel?

Mr. BROWNING. Absolutely.

Mr. CLOWSER. Congresswoman, I would say from the Contractors Association's standpoint, the ARRA was very beneficial, maybe not as much as creating new jobs, but saving what we had.

Ms. HIRONO. That's important, too.

Mr. CLOWSER. With the decline in the Federal program and our dollars on the state level reducing, whether it's our gas tax or sales tax on autos, we were seeing those two markets being depressed. And had it not been for the stimulus dollars, we would have seen many layoffs within the construction industry.

Ms. HIRONO. Do any of the other panel members have a contrary or a different view?

Mr. BROWNING. The only thing I would suggest, again wearing my state senate hat, I know that we made good use of the ARRA money. We got several different—funded in several different areas; education, home improvement, weatherization, those types of programs. If we do it again, I would like to see more bricks and mortar projects rather than those types of projects. I know our state, as well as several other states, used some of the education money to backfill budgetary problems that, you know, we were going to have. We just were lucky to get the money at the time to put into those programs to supplement the money that we didn't have to put into those programs. So if we do it again, I would ask that we do more

in the highways and, you know, more bricks and mortar type projects like that.

Ms. HIRONO. Does anyone else want to add?

Mr. WHITT. I agree with bricks and mortar, water, sewer.

I totally agree with Senator Browning.

Ms. HIRONO. I agree with you, too, but those of us who sit on the Transportation and Infrastructure Committee understand how important infrastructure support is for job creation and job retention, so I'm totally with you all.

I have a question for Dr. Nichols. You mentioned that there are entities at our universities whose jobs it is and whose goal is to come up with innovative ideas to support transportation needs. Can you give me an example of an idea that came out of these university programs?

Mr. NICHOLS. The RITA, the Research and Innovative Technology Administration, they do a great job of monitoring all of these different ventures that these UTCs have to deliver, and one example here in West Virginia, we are working with the West Virginia DOT on a number of projects; a 511 system, which is a travel information system, which many states have those now, but we're getting one here in West Virginia. And that's coming out of a collaboration more technologically based.

The project in Morgantown, the advanced traffic signal control, there are so many traffic signals—I mean, everyone is frustrated when they are sitting at a red light and there is no one around. And there are so many low- hanging fruit like that, that could be addressed, but it's more of an infrastructure—a communications infrastructure need. You need to have communications to that traffic signal so that someone knows when there is a vehicle detected that's not working and things like that. And so we are working with the DOT to put in some infrastructure so that we can monitor those traffic signal timings on a minute-by-minute basis and actually look at performance.

I mean, I think performance measurement within our transportation system—I know in California there is a UTC out there who has done a lot with Caltrans to actually put in system monitoring capabilities. Knowing what's going on with these infrastructures on a second-by-second basis really is key to being able to respond to inefficiencies as quick as possible and optimizing the system. And really it's the university that has the—I guess the data management and the—we are able to leverage a lot of our resources to make a lot of these improvements in the operations.

Ms. HIRONO. I think something as basic as when we're talking about synchronizing traffic lights, too, that's—you would think that we would have figured that out already, because time is money. Is there any kind of a big idea that is being—that's percolating among the UTCs?

Mr. NICHOLS. Well, the UTCs are very involved in the IntelliDrive initiatives. RITA is pushing IntelliDrive. It used to be called the Vehicle Infrastructure—I can't remember what the other "I" was—but an initiative that someday we're going to have communication to every vehicle, and the vehicles are going to be communicating with the infrastructure. In California and Detroit, there are sample test beds set up where their vehicle was—the sys-

tem is called a collision avoidance system, where the vehicle is traveling towards an intersection, and the intersection can detect how quickly the vehicle is moving when the light is going to change. And so the test vehicles that they have set up, the steering wheel will actually vibrate to alert the driver that they are getting ready to run a red light. And that whole system—also, the vehicle communications of each vehicle is communicating to the vehicle that it's a half mile back as opposed to having infrastructure in the pavement that has to monitor an incident. That information flows back from vehicle to vehicle, so it usually gets real and valid information about what's going on in the system. So the IntelliDrive program is being pushed by the USDOT, and it's kind of a long-term plan, but it is kind of the next big idea that needs a lot of funding.

Ms. HIRONO. Mr. Chairman, with your indulgence, I just have one more question. As we talk about financing our infrastructure needs, raising the gasoline of our highways, in particular raising the gasoline tax at the Federal level, I think, is a challenge at this stage, so we're looking for other ways. One suggestion has been an infrastructure bank, and I don't know if any of you have familiarized yourself with that concept, and, if so, if you have any comments about it? Or if you haven't looked at the various bills in Congress to create a way for the Federal Government to support infrastructure throughout our country, the infrastructure bank is one idea. Any comments?

Mr. BROWNING. I mentioned our state rainy day fund. We try to keep a 10 percent level of our gross state budget in that fund to maintain our bond rating with some of the New York firms. This year, as I've already said, it's going to go over the 10 percent. Our Governor wants to put it at 15 percent. But that's a good—what you just suggested, an infrastructure bank, would be an ideal place to start banking some of that money.

Now, West Virginia, because of our energy here, we are one of the top four states in the Nation as far as having balanced budgets, and we haven't had to dip into the fund for funding or anything like that, so we do have some excess.

But you mentioned not willing to raise the gas tax, and I can understand that. I can appreciate that. It's hard for me to vote for tax increases, also. At the same time, even in the literature that was sent out to prep us for this meeting, I noticed where the highway trust fund—the Federal highway trust fund keeps getting lower and lower and lower, and you've had to think about putting general revenue dollars in it. What are your ideas for propping that fund up? I mean, if you don't do it in an across-the-board gas tax, what other revenue can you shift into that?

Ms. HIRONO. Mr. Chairman?

Mr. BROWNING. I'm sorry to reverse the tables on you, but, you know, we're here talking about our local needs, and we depend on you all to do what you're doing there, and we depend on that highway trust fund. That's where we get our funding, and to see it just go lower and lower and lower—and it didn't just happen. We've known it for ten years that it's going to run out, so what do we need to do?

Ms. HIRONO. That's something we're here to listen to you and discuss among ourselves. That's why I think the infrastructure bank is one of these new ideas at the Federal level.

Thank you, Mr. Chairman.

Mr. MICA. Thank you.

Let me just ask a couple of questions here. First of all to the Secretary, Mr. Secretary, out of the funds that you—well, first of all, the American Recovery Act, the stimulus money, I was very supportive of. Working with Mr. Oberstar, we had hoped to have 50 percent of any stimulus package would be infrastructure. Of course, that would have been about $380 billion, but the original bill was only going to be a total of about $250 or $300 million, and we planned for 50 percent.

We ended up with $63 billion out of $787 billion, which is less than 7 percent, which is pretty pitiful. Of that, the State of Florida as of, I think, last week had only actually spent 50 percent—49 or 50 percent of that money. Mr. Mattox, how much have you actually spent of your 211 for additional funds. Do you know?

Mr. MATTOX. Off the top of my head, I know that we had it all obligated by all the deadlines.

Mr. MICA. Well, obligation and spending are two different things. How much did you actually spend?

Mr. MATTOX. I know in our state budget we're down to only carrying $40 million as far as what we expect to expend, so we have spent at least $160 million about.

Mr. MICA. OK. So you've spent about 70 percent?

Mr. MATTOX. 70 or 80 percent.

Mr. MICA. OK. Which is pretty good considering as of last October, they only spent 39 percent across the Nation. So it wasn't a good process of getting the money out, and part of the problem is part of what we heard today; it's the impediments, all of the Federal red tape and regulations. I told Mr. Rahall that we have our immediate former Secretary of Transportation, Stephanie Kopelousos, who is starting today in Washington for about a month or two months. She left our administration in Florida, and she does have another position she'll assume in Florida, but she has agreed to come up and work with the Secretary. So we invite you, Mr. Secretary, to work with her to redline any of those impediments. We want to be good stewards of our environment, but not all of the impediments are environmental. The gentlelady from Hawaii also said that we should look at doing things concurrently rather than consecutively.

Mr. Whitt, do you think that would help?

Mr. WHITT. I think it could.

Mr. MICA. OK. Well, again, any impediments that you see—someone mentioned program consolidation. Any ideas for program consolidation, Mr. Mattox, Mr. Browning? Anything dealing with the Federal Government as far as numbers of programs or excess mandates that you could recommend them changing, Mr. Mattox?

Mr. MATTOX. I would make a recommendation of flexibility in the various Federal funds to give us more flexibility to put the Federal dollars where our needs are.

Mr. MICA. OK. Senator Browning?

Mr. BROWNING. I'm not as familiar with your programs as the secretary is, but——

Mr. MICA. So you are happy with the way the Federal Government treats West Virginia?

Mr. BROWNING. I am. Just send more money.

Mr. MICA. Well, that seems to be the problem. But I think we're looking for innovative ways, and it's good to hear from Dr. Nichols. I think one thing we haven't focused enough on is technology. Sometimes if you can make traffic move faster, you use your dollars more wisely as far as technology. So we will take some of your recommendations back on the ITS, and also education is important.

We also heard some about public/private partnerships.

Either Mr. Mattox or anyone else who wants to comment, we really don't have a good Federal definition, nor do we have the incentives that would help both from a financial standpoint, and maybe there are some bond-backing, again, carrots rather than sticks that we could provide for public/private partnerships. Any ideas? Mr. Mattox, could we start with you?

Mr. MATTOX. Mr. Chairman, as Mike Clowser had alluded to, with public/private partnerships in West Virginia, you're generally talking about user fees or a toll to pay back the private partner.

Mr. MICA. Right.

Mr. MATTOX. And in West Virginia our traffic counts are low, and our capital cost of our highway construction is so high that it makes it very challenging to utilize public/private partnerships in West Virginia.

Mr. MICA. I donated four dollars coming down.

Mr. MATTOX. And you will going back. That's a toll road that's been in place since back in the 1950s, and the toll has been in place for over 50 years now. We are currently working on a toll road project that is a public/public partnership—the Division of Highways, the Department of Transportation, with the West Virginia Parkway Authority—on U.S. 35, and we are having some financial difficulties putting together a financial plan on that project using a combination of Darby bonds, earmarks that were in SAFETEA–LU, as well as toll revenue bonds. And we are really struggling to come up with a financial plan to fund this.

Mr. MICA. I heard you say, also, in your testimony that you are the sixth state as far as state-maintained roads. Is it that 92 percent are maintained by the State?

Mr. MATTOX. Mr. Chairman, that's correct. The sixth largest state-maintained highway system in the country.

Mr. MICA. And maybe we could look at some reward for states that are handling and financing their own projects, which would also reward you. I think that might be something we could look at. And we heard a lot about design/build and the design/build financing. Do we have—did we have enough support for those programs, or do you feel you have enough leeway?

Mr. MATTOX. We currently have some pilot projects that we have been working with Contractors Association in West Virginia. That was a new concept with them. Design/build has been around a long time; it has just not been utilized here in West Virginia except for the past few years as far as highway construction goes. As far as

the Division of Highways, so far we've had very good results utilizing the design/build process.

Mr. MICA. Well, the issue of financing is key to this, and we have heard recommendations. And anyone who has been on this planet the last 90 days or more realizes that there's a new atmosphere in Washington. As I joked earlier, the Republican leadership has already seen that it's very difficult to get the votes to the floor that aren't reducing some program and taking significant whacks at spending.

I said, beginning last summer, that the gas tax is dead, and it was dead then. Now it's absolutely impossible at this stage. It's dead and buried and six feet under, so we have to be more creative in where we get the revenues. Any ideas without the gas tax increase, guys? Gentlemen?

Mr. BROWNING. You know, if I could elaborate one more time on public/private, the projects that we did on the Coal Field Expressway we did as an economic development project.

We didn't do it as a road project, nor did we do it as a mining project. But, you know, had we done it as highway or had we done it as mining, the regulatory atmosphere would have been a lot heavier. So the fact that we did it as an economic development project in West Virginia lessened some of the regulatory oversight, so we could build it much faster. So public/private projects are all unique themselves, and as the Commissioner said, you know, West Virginia is not in tune with other states because of our heavy cost of building roads, so that's kind of an option that's out. The one way we can do it, though, is what we said earlier, is to maximize the use of the coal, which would be the private part of the equation. You know, I'm hearing that President Obama's budget is going to have a 17 percent cut for transportation. You're saying that the gasoline tax is dead. So I don't know. How are we going to do it?

Mr. MICA. Well, I think we're going to have to look at streamlining. We have to maximize public/private partnerships, better incentive to the bucks that we have there, give flexibilities to states. Mr. Rahall and I will have to put our heads together and figure out a way this—we are very much aware that the trust fund is declining, so we've got to look at a way of stabilizing that and get the votes to pass that. And looking at innovation, Dr. Nichols?

Mr. NICHOLS. Just one comment. I'm sure this will come up if you're not already aware of it, but Oregon did a pilot study on a mileage-based tax, which was looking at a different way of putting money into highway trust funds since vehicles are getting more——

Mr. MICA. Driving further and paying less.

Mr. NICHOLS. So just other ways of—there are other models out there.

Mr. MICA. Well, we're looking at all of those, but the problem is if I comment or Mr. Rahall comments today, it will telegraph across the country like a wildfire, and we would rather hold our comments. The purpose of our going across the country is to get ideas and innovations. We heard some good things today from the panel that we can hopefully incorporate. Sometimes, too, it's difficult for some folks to speak publicly in a formal hearing, so we

welcome also any recommendations that you can get to anyone on the panel. We welcome that.

Mr. CLOWSER. One recommendation, we might want to change the gas tax to a user fee. Then it becomes truly a—we pay for it as we use it, and we think it's one of those fairer taxes there are.

Mr. MICA. That being said, we are looking at alternatives. Yes, go right ahead, Mr. Rahall.

Mr. RAHALL. Thank you, Chairman. You know, the gentlelady from Hawaii was asking about ARRA. In my opinion, the best second stimulus we could ever do is to reauthorize a robust transportation bill. I mean, to me, that trumps any second ARRA bill that we may be considering. And, you know, I think it's important that we keep all options on the table.

The administration has come out against the gas tax during a recession, I might add, their words. So who knows when we can get out of a recession, if we ever do. But I think it is important that we do keep all options on the table.

I mean, Richard, you turned the tables and asked us.

That's a very difficult question of how are we going to finance a new bill. Yes, the revenues coming into the highway trust fund are going down. They will continue to go down. If we become more conservative in our driving patterns, as we have the new vehicles that are coming online that we all promote, but with every new technology that comes online, that means less gas revenue that's going into that highway trust fund. It is truly a user-generated concept.

If you don't want to pay the tax, you don't drive your car.

So it's not mandated tax as such.

And I might add, with all due respect to my Chairman on the Republican side, that we also took action earlier this year in a rules change. You kind of alluded that the firewall that had been set up in the past under Republican Chairman Bud Schuster, that we put up a firewall around that highway trust fund and said that everything coming into it has to go back out for transportation and nothing else. So we have to be careful with that, as well. If we do—if there were ever any gas tax increase, we can't let it be diluted to any other purposes but transportation.

Mr. BROWNING. Congressman, first of all, I don't mean to put anyone on the spot——

Mr. RAHALL. No, we didn't take it that way.

Mr. BROWNING [continuing]. By asking questions. But you have to realize that this is our chance to talk to the Nation's leaders in this area, and I want to get my digs in, you know.

Mr. RAHALL. That's correct. That's why we're here.

Mr. BROWNING. The other thing you have to remember is somebody has to pay for the highways. Somebody has to pay for the railroads. Somebody has to pay for aviation. You either get the money from the public up front in the form of a fee, a tax, or you pay later in the form of an interest on a public/private venture, that someone has invested in a project and then they get their money back through tolls or whatever. So the money has to come from the public; it's just when you get it and how you get it, because nobody is going to go out and build it just for the sake of building.

That's what we have to figure out.

Mr. MICA. Well, that's one of the reasons we're here, again. We've got the next 30 days of hearings around the country, and then we'll probably do a couple in Washington, whatever Mr. Rahall would like to agree to. Then we'll sit down and try to craft the best legislation possible. Again, I've always found that the best ideas come from around the country.

Did you have anything else, Ms.——

Ms. HIRONO. No, I'm fine.

Mr. MICA. Well, what we wanted to do was thank you for participating today. We want to leave a few minutes so members would have a chance to hear from some of those in the audience that have come out today. We are very grateful for those who have taken time and those who have participated in the formal process. The informal process can be just as productive. So I can't be more appreciative of Mr. Rahall's cooperative efforts today in trying to steer the committee in a productive path forward. As he said, too, probably a six-year, full reauthorization of our transportation policy, the full bill. Hopefully, we can get the FAA bill. That accounts for another 9 or 10 percent of our gross domestic product, and we don't have say over the whole economic activity or all the legislation and the budget and the bigger picture, but we do have our little corner of legislative responsibility on behalf of the American people, so we are determined to move forward and then with other key pieces of legislation during the year. So, with that, we have just been delighted to be here. It is brief, but we do have votes later this afternoon. We have got a little quick listening session before we board our aircraft back to the Nation's capital. But thank you so much for hosting this, Mr. Rahall and the mayor who came out and other local officials and state officials. Thank you. If there is no further business——

Mr. BROWNING. I would like to thank you all, also, for coming.

Mr. MICA. Well, thank you.

If there is no further business before the Transportation and Infrastructure Committee of the U.S. House of Representatives, this meeting is adjourned. Thank you.

[Whereupon, at 9:40 a.m., the committee was adjourned.]

STATEMENT OF THE HONORABLE JOHN J. DUNCAN, JR.

COMMITTEE ON TRANSPORTATION AND

INFRASTRUCTURE

FIELD HEARING ON

"Improving and Reforming our Nation's Surface Transportation Programs: Beckley, West Virginia Field Hearing."

February 14, 2011

Thank you, Chairman Mica, for holding this very important hearing on reauthorization of our surface transportation programs.

I am pleased to be a part of the start of the Committee's Nationwide tour to hear ideas from the transportation community on how best to reauthorize our highway, transit, and highway safety programs.

One of the key initiatives that the Committee will focus on is streamlining the project delivery process. By adding one Federal dollar to a transportation project, you can add ten years to the time it takes to complete that project.

Time delays and inefficiencies in project delivery not only postpone needed improvements in our nation's transportation infrastructure but also result in increases in the cost of projects.

We are interested in hearing the witnesses' thoughts on where we can make improvements to existing rules and regulations that govern project delivery.

The Committee must also find ways to do more with less and one way to realize that goal is through innovative financing. Bonding, loan programs and public private partnerships are just some of the innovative financing techniques that the Committee can utilize to leverage the Nation's limited Highway Trust Fund dollars.

The Committee must also look at the number of Federal surface transportation programs and decide which ones are the most critical to our Nation's transportation system. Today, there are more than 100 highway, transit and highway safety programs. Duplicative Federal programs should be consolidated to eliminate waste and programs that do not serve a National need should be eliminated.

I look forward to hearing the witnesses' views and ideas on how best to accomplish these goals.

Chairman John L. Mica
"Improving and Reforming our Nation's Surface Transportation Programs: Beckley, West Virginia Field Hearing"
February 14, 2011

- I'm pleased to announce the start of the Committee's nationwide series of field hearings and listening sessions on reauthorization of our Nation's highway, transit, and highway safety programs.

- The Committee's goal is to hear from transportation stakeholders on how best to streamline project delivery, better utilize innovative financing and public private partnerships, and reduce the number of Federal transportation programs.

Streamlining:

- The Federal project delivery process can take up to 15 years from planning through construction.

- An analysis conducted by the National Surface Transportation Policy Committee found that a $500 million project that took 14 years to complete would see its cost double due to the impact of delays and inflation.

Innovative Financing / Public Private Partnerships:

- Leveraging our Highway Trust Fund dollars will be a key goal in the reauthorization bill. Gas tax revenues are not keeping up with our Nation's surface transportation needs and we must do more with less.

- I'm interested to hear how States and localities have utilized innovative financing techniques to leverage their limited transportation funding and how those experiences could be applied to Federal programs.

Reducing the Number of Programs:

- There are currently more than 100 Federal surface transportation programs. The Nation's surface transportation needs have changed over time and reauthorization must refocus the Federal-aid role to reflect the most critical needs of our transportation system.

U.S. House of Representatives
Committee on Transportation and Infrastructure
Hearing

Improving and Reforming our Nation's Surface Transportation Programs

Testimony of Senator Richard Browning

Governor Hulett C. Smith Theater at Tamarack
Beckley, West Virginia

Good morning and welcome to West Virginia. We are so pleased this morning to have the Committee here with us, and it is a personal honor for me to appear before you on a subject that I am very passionate about, the Coalfields Expressway. I am pleased to welcome home today one of our favorite sons, Congressman Nick Rahall. Congressman Rahall is very important to us in Southern West Virginia. I would like to take a moment to introduce myself. My name is Richard Browning and I am appearing before you today wearing two hats.....the first is that I am Executive Director of the Coalfields Expressway Authority, a public corporation formed by a legislative act in 1996 whose purpose is to advance the construction of the Coalfields Expressway; the second hat is one of a political nature. I represent the 9th Senatorial District (Raleigh and Wyoming Counties) in the West Virginia Senate. I serve as the Majority Whip of the WV Senate and I chair the Committee on Economic Development. So, with that in mind, my address to you today is two-fold. Specifically, I want to tell you a little about the Coalfields Expressway. I will tell you about our highway and its importance to us, and our needs for it. My work with the highway gets into many areas. The parameters of my job allow me to address economic development and infrastructure development issues along the highway, and everything I do in my local office usually ends up going through Congressman Rahall at some point because of federal funding issues. The Congressman is very important to us and today I salute him for bringing you to his home county of Raleigh to begin your national listening tour. I will conclude with my answers to Congressman Mica's questions posed in his invitation letter.

History of Coalfields Expressway

The Coalfields Expressway in West Virginia is a proposed 112 mile four-lane, limited-access, highway that will run from I-64-77 in Beckley to U.S. 23 in Pound, Virginia. In West Virginia, the Expressway runs 67 miles, generally utilizing West Virginia Highways 54, 16, and 83, from Beckley, West Virginia, to Slate, Virginia, through Sophia, Mullins, Pineville, Welch, and Bradshaw. To date, the WVDOH has constructed almost 7 miles, 17 miles are under design, 41 miles remain to be designed.

Coalfields Expressway Funding

Federal	
ISTEA of 1991	$50 million
TEA-21 1997	$22.69 million
Fiscal Year 2001 Transportation Appropriations Bill	$10 million
Fiscal Year 2002 Transportation Appropriations Bill	$16 million
Fiscal Year 2003 Transportation Appropriations Bill	$9 million
Fiscal Year 2005 Transportation Appropriations Bill	$12 million
SAFETEA-LU 2005	$16.7 million
Fiscal Year 2006 Transportation Appropriations Bill	$10 million
Total Federal	**$146.4 million**
State	
State Match for all Federal Funding	$29.28 million
Revenue from sale of Road Bonds	$10 million
Total State	**$39.28 million**
Total All Funding	**$185.68 million**

The Coalfields Expressway has never utilized one penny of federal discretionary money from any highway bill. That simply has to change, and I send that message not to you, but to our state highway officials here today.

Economic Impact of Coalfields Expressway

We learned from the 2000 census that 6 of the top 10 counties for population loss in the whole nation were in Southern West Virginia. I daresay that number will not change when we get the numbers from the most recent census. Our counties are consistently at the bottom of every

measurable demographic / social list that exists, and the Coalfields Expressway runs through two of those counties. The reason for this loss of population is, of course, a lack of jobs. Mechanization in the coal industry and an uncertainty in the future of coal mining because of regulatory problems is the cause of most of the loss. But let's not put all the blame on others here. Our political leaders over the years share the blame. Because of West Virginia's historical energy economy that is based on coal production and natural gas production, we failed to diversify our economy years ago, and that's the problem. After all, where else in the country can you graduate from high school, take an 80 hour mining course and then walk into one the highest manufacturing jobs in the country? That's how it used to be here, and that's what lulled us to sleep. That's why we are where we are. Every study I pick up and even ones that I have had done say one thing; you cannot diversify without good transportation. In Southern West Virginia, we do not have good transportation and that has to change. Good roads translate into good jobs.

In the fall of 2006, the Coalfields Expressway Authority, with the help of Congressman Nick Rahall, commissioned the Center for Business for Economic Research (CBER) at Marshall University to assess the economic impacts associated with the construction of the Coalfields Expressway in Southern West Virginia. The CBER issued its report in December of that year. To form the basis of its research, CBER looked at the following topics: overall regional economy; regional industry mix; travel safety and congestion; migration; and overall quality of life. CBER concluded the study by saying:

"As the evidence from this study indicates, areas with the presence of four-lane, divided, limited control access highways achieve higher rates of growth than those obtained in the Coalfields Expressway Counties. While those counties in West Virginia with such access (those on Interstate or Appalachian Corridor Highways) did not achieve the national averages, they on all indicators do better than the Coalfields Expressway counties. By using the WV Highways counties which are similar in terrain, demographics and rural base, the comparison takes on validity." The booklet that I send out from my office to answer the public's questions about the Coalfields Expressway, which each of you has, has other statistical information, although dated, that is still valid.

Now, wearing my State Senate hat, I want to talk to you generally about our highway needs all across West Virginia, and hopefully provide you some answers to the questions posed in Congressman Mica's invitation letter.

Reducing the Number of Transportation Programs

I applaud the committee for looking at programmatic reductions where needed. We must make every penny of every transportation dollar count. I would caution the committee, however, decreasing funding for any type of transportation. I know that we at the state or federal level cannot and do not base our actions on just what is before us at this time. Programs come and go and change with times, but transportation systems must be improved and maintained. We all know that we are in a global economy that is growing exponentially, and this nation's trading partners will shift more to our eastern ports. With the widening of the Panama Canal, our eastern ports will handle a much higher volume of goods with those new partners and inland ports have to be developed

here utilizing all forms of transportation. Intermodal hubs, utilizing our ground and air transportation systems in the eastern United States will help create the job diversity needed for this area. Beckley, West Virginia is a prime target for that.

Streamline the Project Delivery Process

We know that the faster we deliver the projects, the faster the economy grows and the more benefit the public gets from use of the project. By utilizing design / build construction programs, by using more creativity in the financing of projects to accelerate completion, and by decreasing the regulatory hurdles that each project must survive, we can deliver the projects faster. However, with that said, we cannot continue these delays in passing federal highway legislation. We are two years late now, and that delay causes uncertainty in our construction industry as well as in highway planning at the state level.

Increase Private Sector Investment

By having the job that I have, I have noticed that in the last three federal highway bills, more emphasis has been placed on states to fund highway projects at that level rather than from the federal. Similarly, over that time, states are placing more emphasis on local counties to fund improvements and I am part of that because I have voted for the legislation to do this. I began working on a public / private transportation bill in the West Virginia Legislature in 2002. We finally got one passed in 2008. We have utilized this type of funding on two projects in West Virginia, both before the passage of the legislation and both using coal reserves as the private part of the package. A third at the present time, the US 35 project, is stalled over the use of tolls on the project and the amount of return on the investment of federal highway money in the bond market. In the absence of federal funding, private sector investment must happen, but we all know that people invest money for the highest return and that's not always the case in transportation. Whichever way we as policy makers choose to fund highway projects, we must remember the cost is always borne by the public, whether we charge them up front in local gasoline taxes or down the road as interest on invested private funds using public private financing innovations.

Identify Creative Financing Alternatives

In West Virginia, we are trying to stay ahead of the curve. We have passed public / private legislation. In the southern part of the state where the abundance of our coal lies, we are maximizing the use of coal and coal mining to build road beds where possible. We have used general revenue dollars to prop up our highway maintenance programs. We have passed additional gasoline taxes in anticipation of receiving additional federal dollars. We have passed legislation to let local citizens tax themselves further to fund

local road improvements. We currently have legislation moving now in the West Virginia Senate to use excess funding in our state's "rainy day fund" to finance road projects. We are always flirting with raising other fees associated with transportation to come up with more money. Lastly, we are constantly pressuring our state highway officials to bring us new ideas for innovative road financing.

Other Ideas for Improving Accountability and Performance in These Programs

In West Virginia, we are terrain challenged in road building. That's why we need more federal help that other states, like some the others that Mother Nature made flat. It costs lots more money in our state for road construction that most other states. We cannot tax our people enough to pay for our own needs. We need your help. We need to keep the donor / donee ratio currently in place put there by our revered Senator Robert C. Byrd. We need a federal gasoline tax increase. This has not happened since 1993, and all states need the help. The consistent drop in the Federal Highway Trust fund bears this out. I am not saying this to avoid voting on a tax increase myself at the state level. As I said earlier, we have stepped up, voted for additional state gasoline taxes and provided our match whenever we have needed to. But, to remain competitive with our neighboring states, we cannot increase our state tax further. We are higher than all of our bordering states except one. It has to be across the board nationally.

In conclusion, all states are struggling with transportation needs. I know that during the years from 1992-2000, our economy raced, doubling the number of tractor trailer rigs on our nation's highways to keep the goods moving. We cannot enjoy that kind of growth today under any economic policy because our transportation system is bottlenecked, and it truly is a national problem. I don't think states will balk at their share of the cost, but the bulk of the money has to come from a federal initiative. As I travel around and discuss this with my constituents, this is the major complaint that they have, lack of good roads. I have found, too, that this is one of the few things they agree to be taxed more for.

Thank you very much for listening to me today and I stand ready to answer any questions you may have.

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PRESENTATION BEFORE THE U.S HOUSE OF REPRESENTATIVES COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

MIKE CLOWSER, EXECUTIVE DIRECTOR
CONTRACTORS ASSOCIATION OF WEST VIRGINIA

BECKLEY, WEST VIRGINIA
FEBRUARY 14, 2011

Good morning. My name is Mike Clowser. I am executive director of the Contractors Association of West Virginia. We welcome Chairman Mica and members of the committee to West Virginia. The airport you flew into, the roads you traveled, the bridges you crossed and this beautiful building where we are meeting were built by members of our association. The CAWV represents over 450 members employing nearly 20,000 West Virginians in the highway, bridge, water and sewer, and building construction industry.

You have asked us to provide input on how to streamline the process, eliminate programs, improve flexibility and improve the efficacy of private investment in transportation infrastructure.

These are all important issues and the CAWV's two national associations, the Associated General Contractors of America and the American Road and Transportation Builders Association, have prepared recommendations that they will be presenting to your committee.

What is important to West Virginia, and the men and women who build West Virginia's transportation system, is the passage of the federal-aid highway reauthorization bill. The uncertainty that has existed since September 2009 has created instability in the design and award of highway construction projects, it has resulted in the unemployment of skilled construction workers, it has curtailed contractors investing in new equipment and it has resulted in a deterioration of West Virginia's roads and bridges.

West Virginia is only one of four states that maintains its entire highway system. As such, West Virginia is the sixth largest highway system in the nation. According the Federal Highway Administration, West Virginia has 38,452 miles of roadway. Of the state's 10,420 miles of roadway eligible for federal aid, 29 percent are rated "not acceptable" and need major repairs or replacement.

West Virginia also has 7,050 bridges. FHWA reports 37 percent of the state's bridges are either "structurally deficient" or "functionally obsolete." It will cost an estimated $2.8 billion to make needed bridge repairs on 3,645 structures in the state.

Everyone is here today because we understand the value of capital investment. We understand infrastructure improvements are critical to support commerce and to improve efficiency and economic competitiveness. We also fully comprehend that if we don't repair roads and bridges in a timely manner, we will be forced to rebuild them at a cost that may be five times higher than what it would have cost to repair them.

West Virginia and other rural states cannot do this without a stable and predictable federal funding program. And in West Virginia, that does not mean alternative financing mechanisms. It means a direct funding formula from the Highway Trust Fund.

The West Virginia Turnpike that you traveled on this morning has been a toll road since it first opened in 1954. We are trying to complete the last four-lane section of U.S. Route 35 using tolls but as you may have read, the bond market and limited traffic counts are making it extremely difficult to build the last 14 miles at a cost of $187 million. The West Virginia Legislature passed the West Virginia Public/Private Transportation Act a few years ago to provide another mechanism to build transportation facilities. We have no planned PPP projects in West Virginia. Our rural population, coupled with the fact that private entities must borrow money at higher rates than the federal government and that borrowing costs are an added burden on users of the system, make PPP's highly suspect as a viable financing alternative for West Virginia.

Mr. Chairman, we know your colleagues Rep. Nick Rahall and Rep. Shelley Moore Capito wish you had the time to travel the magnificent highways and bridges we have built in West Virginia. The New River Gorge Bridge, Corridor H, Coalfields Expressway, King Coal Highway and Appalachian Corridor L are not only engineering and construction marvels, they are vital to the future economic vitality of our state.

They will tell you that a cost of building a mile of road in West Virginia is considerably different than a mile in a state with no mountains. You traveled the West Virginia Turnpike to get here this morning. One project involved moving 10 million cubic yards of earth to bypass an obsolete two-lane tunnel. That project cost $32 million in 1985. At the project's dedication in 1987, then-WVDOH Commissioner William Ritchie called it "the toughest, hardest, meanest construction job in the state's history."

We want to complete the roads designated in our national highway system but we are starved for resources because the primary federal financing mechanism (the federal gas tax) has not been increased since 1993. That funding has lost half its buying power over the last 17 years. The same issue applies on the state level. A 30 percent drop in the buying power of state funds, plummeting state tax revenues and more fuel efficient vehicles are putting us further behind in maintaining our current system, much less planning for new highway expansion.

The federal-aid highway program is one of the greatest job producing programs in the history of our nation. An analysis of the latest U.S. Census data shows the design, construction and maintenance of transportation infrastructure supports the equivalent of 22,893 full-time jobs in West Virginia. These employees earn a total annual payroll of $1 billion and contribute an estimated $85.4 million in state and federal payroll tax revenue. This employment includes the equivalent of 11,405 full-time jobs directly involved in transportation infrastructure construction and related activities and 11,489 that are sustained by transportation design and construction industry employee and company spending throughout the region's economy.

Additionally, the existence of more than 427,589 full-time jobs in West Virginia in key industries like tourism, retail sales, agriculture and manufacturing are dependent on the state's transportation infrastructure network. According to the U.S. Census Bureau, there are at least 6,717 firms in West Virginia that are in some way directly involved in transportation related work.

These are impressive numbers, but to the companies in this theater today, passage of the federal-aid highway bill is more fundamental. While the nation has suffered through a recession, the construction industry has been experiencing depression-like conditions. The national unemployment rate for the industry in August 2010 was 17 percent – nearly double the 9.6 percent national rate, according to the Bureau of Labor Statistics.

Reauthorization of a federal-aid highway bill means they will continue to stay in business, buy equipment, pay taxes and keep their people employed. For the construction workforce represented today, it means they will be able to make a living so they can buy cars, educate their children and buy goods and services, all of which will ripple through our economy.

The Contractors Association of West Virginia appreciates you being in West Virginia today. We appreciate the opportunity to share our concerns with you. Streamlining processes, eliminating programs and increasing private investment in transportation are great goals. But the bottom line to our state, our industry, our members and our employees is that none of this matters if

Congress does not act, and act swiftly, to reauthorize the highway bill. We do not need another limited Continuing Resolution. If there is a Continuing Resolution, it needs to be at least a year in duration so our state highway department has dependability to their program.

Your action will determine whether we create jobs, fix our roads and build a transportation system that will serve the needs of domestic commerce, international trade and the overall U.S. economy.

Thank you.

House Transportation and Infrastructure Committee Reauthorization Field Hearing

REMARKS

Paul A. Mattox, Jr., P. E.
Secretary of Transportation
Commissioner of Highways
West Virginia Department of Transportation

February 14, 2011
Beckley, West Virginia

Good morning. Welcome Chairman Mica, Congressman Rahall and, House Committee members and other representatives here this morning. Thank you for coordinating this important event and for the opportunity to participate and present before you.

West Virginia has the 6th largest maintained highway network in the county.

The Division of Highways has statutory responsibility for maintaining more than 36,000 miles - 92 percent of the all the roadways in the state.

Of those 36,000 miles, roughly 27% are federal-aid eligible charging the much-smaller state program with the maintenance of 70% of West Virginia roadways.

In 2008, total revenue was 30% less than it was 10 years ago translating into fewer and fewer dollars becoming applicable to West Virginia's roadway network.

In the process of developing our Long Range Transportation Plan, it was discovered the total estimated cost to maintain West Virginia's existing system at current levels of pavement and operational performance totals $21.0 billion over a 25-year study period.

We are fortunate that because we enjoy an excellent working relation with our local Federal Highway Administration, our projects are delivered as quickly possible for the motorists of West Virginia, evidenced our collective response to the highway ARRA program.

A testament to that statement, working with the Federal Highway Administration, the Division of Highways has increased its improvement program delivery from 19% in 2005 to 78% last year with relatively the same budget.

My agency is fully supportive of expediting project delivery by any method possible, but particularly by the design/build method of construction that saved West Virginia taxpayers more than $20 million on the upgrade of US Route 35 alone.

I am grateful what the ARRA program did for West Virginia and am thankful that the TIGER II program will allow us to build a new roadway facility and remove traffic from one of the most dangerous roads in the state - Route 10 in Logan County.

From the ARRA and TIGER programs, my agency has become accustomed to the practices of performance and accountability measurement and we are prepared if these measures should also be a part of new highway reauthorization legislation.

In, 2010, 5.9 million riders rode on West Virginia's 18 public transit systems; one million on the state's rural transit systems.

These systems travel 11.2 million miles and employ 680 full and part time employees.

Public transit service is provided in 33 of the state's 55 counties.

Many West Virginians, particularly in the rural areas, are transit dependent and utilize these services to get to work, the doctor, shopping, and to take care of the necessities of life.

The need for continued transportation investment in West Virginia is greater than even.

A robust multi-year surface transportation authorization is critical as we continue to maintain an aged infrastructure.

Addressing the highway and transit needs here in West Virginia will allow the state to become a bigger player in the global marketplace by creating and sustaining jobs, ensuring the future prosperity of the Mountain State.

Thank you.

KING COAL HIGHWAY I-73/74 AUTHORITY

Box 1448, Gilbert, WV 25621
Phone # 304-664-6200
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Mike Mitchem
Executive Director
King Coal Highway Authority

Thank you, Chairman Mica and ranking member Congressman Rahall for inviting me to speak today. It is my pleasure to join you today at this important hearing. To give you a little background on the King Coal Highway I-73/74 Authority, we cover both the King Coal and Tolsia Highways which will travel from Bluefield, WV to Huntington, WV when completed and cover five counties. These two highways are the West Virginia Corridors of I-73/74 which will travel from Sault Ste. Marie, to Myrtle Beach on the I-73 section and will travel to Chicago, Illinois and Daven-Port , Iowa on the I-74 section and intersect with these important highways I-95, I-64, I-77, I-75 just to name a few. I-73 /74 is the #5 High Priority Corridor in the U.S. This corridor contains over 61 million people along its route or 21% of the US population. The corridor as it runs through West Virginia will make it an important transportation hub and will help impact economic development, tourism, and safety. According to an Economic Impact Study that was completed by Chmura Economics and Analytics, the annual economic impact for the highway is $220 million dollars that sustains 2,020 jobs. This report does not include employment from the proposed Trans Gas Plant in Mingo County, WV or the proposed Intermodal Park at Pritchard. These projects should increase this figure even more.

Currently we have 18 miles of highway that have been designed on the Tolsia Highway and 19 miles of combined King Coal and Tolsia Highway either constructed or under construction with the help of federal funding and public private partnerships with coal companies. We also have six more miles that are proposed to be built in a public private partnership with Consol Coal Company.

The federal funding we have received has mostly came from the 2005 SAFETEA-LU Transportation Bill as well as earmarks from Congressman Rahall and the late Senator Robert C. Byrd. The only way our highway can be finished is by the support of federal funding, especially funding from the new transportation bill which we fully support .

One of the main reasons we are building the King Coal and Tolsia Highways is because of the dangerous narrow two lane US Route 52 and to move our housing to higher ground away from flooding streams that run beside of Route 52, the The King

Coal and Tolsia Highways will be the replacement for US Route 52 and will be built mostly along higher ground. Since 2001 according to records from the National Climatic Data Center in McDowell and Wyoming counties, two of the counties that the highway will travel through have had a combined total of damages from flooding of $237 million that could have been alleviated if these highways had been constructed on higher ground with new housing built out of the flood plain.
One suggestion for a possible source of funding for the new transportation bill funding could be a check off space for a dollar amount on an individual personal federal income tax form. I have been asked by numerous individuals if there was any way that they could give money toward our highway project. This could possibly be one way for individuals to assist with federal highway trustl funding and future highway projects.

As I close, I would ask for quick passage of the next transportation bill which we hope will include funding for the King Coal and Tolsia Highway projects. And I hope all of you will someday be able to tour our project area to see the progress being made as well as the problems that exist on our current highways, Thank You

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Improving and Reforming our Nation's Surface Transportation Programs: Beckley, West Virginia Field Hearing

Testimony of Dr. Andrew P. Nichols, P.E.

Program Director, Intelligent Transportation Systems at the Nick J. Rahall II, Appalachian Transportation Institute
Assistant Professor, Marshall University

Monday, February 14, 2011
8:00am
Theater at Tamarack
One Tamarack Park
Beckley, WV

Good morning Chairman Mica, Ranking Member Rahall, and Members of the Committee. I am representing the Nick J. Rahall II, Appalachian Transportation Institute (RTI) at Marshall University in Huntington, WV, where I serve as the Program Director of Intelligent Transportation Systems (ITS) and Assistant Professor of Engineering. I would like to welcome you to our beautiful state and thank you for the opportunity to share our perspective on improving our nation's surface transportation program and how institutions like RTI are part of the solution.

RTI is a national University Transportation Center (UTC) established 12 years ago by the Transportation Equity Act for the 21st Century (TEA-21). Funding and oversight of the UTC program is through the Research and Innovative Technology Administration (RITA) of the USDOT. Under SAFETEA-LU, there are currently 60 UTCs that directly involve approximately 120 universities across the nation. The mission of the UTC program is to advance technology and expertise in all facets of transportation through education, research, and research implementation (i.e., technology transfer). Each UTC has a unique theme that guides their research and educational initiatives, in order to minimize duplication of efforts and expertise. RTI's theme is "Transportation and Economic Development in Mountain Regions".

The American Society of Civil Engineers (ASCE) periodically produces a report card that grades different aspects of our nation's infrastructure, including the transportation components Aviation, Bridges, Inland Waterways, Roads, Rail, and Transit. In 2009, the most recent report card graded these six in the C to D-minus range. Bridges were rated C ("mediocre") because more than 26% of the nation's bridges are either structurally deficient or functionally obsolete and an

annual investment of approximately $17 billion is needed to substantially improve the current conditions. These conditions are even worse for most states in the Appalachian region. In West Virginia, approximately 39% of the bridges are structurally deficient or functionally obsolete. Roads were rated D-minus ("poor/failing") based on an estimate that Americans spend 4.2 billion hours per year stuck in traffic at a cost of $78.2 billion and 45% of major urban highways are congested. The report card also states that the current spending of $70.3 billion per year is well below the estimated $186 billion needed annually to substantially improve roadway conditions. From 1980 to 2006, the total number of miles traveled by automobiles increased 97 percent and the miles traveled by trucks increased 106 percent. Over that same period, the total number of highway lane miles only grew 4.4 percent, meaning that over twice the traffic was traveling on roadways that had unchanged capacities.

Since funding for capital improvements to alleviate congestion will continue to be scarce, innovation is essential to improve these poor conditions. UTCs are constantly developing and evaluating technologies and strategies that will help design, build, and operate systems more cost-effectively, and improve the safety of those systems.

RTI: Economic Development, Accountability and Cost-Effective Design. RTI has conducted a significant amount of work in the area of Geographic Information Systems (GIS), which serve as the primary information sharing and analysis environment for all aspects of transportation. One of our projects funded by the Appalachian Regional Commission (ARC) was to develop a GIS tool that could be used to facilitate the efficient estimation of the construction costs needed to complete the 13-state Appalachian Development Highway System, which was the first highway system authorized by Congress for the purpose of stimulating economic development. This tool developed by a UTC helped the ARC reduce the cost to generate these construction estimates by 42% and facilitated the analysis of the economic impact of completing the system. That analysis estimated the total economic benefit-cost ratio to be 3.6 for the Appalachian Region and 3.1 for the entire United States through improved connectivity and accessibility.

RTI is currently working on and has completed a number of economic impact, economic development, and alternative financing projects related to transportation. RTI worked on the Heartland Corridor double-stack train initiative to examine the benefits of modifying railroad trackage and tunnels to accommodate rail cars with double-stacked containers. It was estimated that the track modifications and the construction of an intermodal facility could provide 2.0 to 5.1 benefit-cost ratio. The required track modifications to allow double-stacking were completed in 2010.

RTI: Safety, Performance, Liveability and Cost-Effective Operation. RTI is the lead on an active research and deployment project in Morgantown, WV, in collaboration with four other universities that are affiliated with UTCs. This project is focused on improving the traffic signal timings along an extremely congested corridor using adaptive traffic signal control, because constructing additional lanes or alternative routes is not financially feasible. This project is unique from any other adaptive signal control deployment because we are developing a methodology to predict the adaptive system performance prior to deployment to determine if the investment is justifiable based on the anticipated benefits. We are also installing a variety of sensors that will allow continuous monitoring of system performance to maintain optimal

operation after the research project is complete. The evaluation methodology developed in this research will allow other agencies to evaluate and cost effectively deploy adaptive control systems, which aren't always necessary to achieve optimal traffic flow.

Another critical aspect of improving the system is education, ranging from science, technology, engineering, and math (STEM) recruitment in K-12, to undergraduate education and workforce training. The U.S. lags behind nations like China and India in investing in research, education and training of the next generation of engineers, technicians, scientists who will lead the development and operations of our nation's transportation systems. The presence of UTCs across the nation ensures that students and professionals have access to advanced educational and training opportunities; and that widespread recruitment efforts focused on transportation professions will be carried out.

RTI: Education and Workforce Development. RTI has been active in all facets of education and workforce development. We deliver K-12 programs aimed at recruiting students into transportation, such as First LEGO League and LEGO Robotics. Due in part to support and justification from RTI, Marshall University started a Bachelor of Science in Engineering degree that gained accreditation from ABET (Accreditation Board for Engineering and Technology) in 2010. RTI has delivered training and workshops to approximately 738 professionals in GIS and other transportation areas. Last year, RTI hosted the National Rural Intelligent Transportation Systems conference in Huntington, WV, which was attended by 250 professionals from all over North America. This year, RTI is hosting the International Transportation and Economic Development conference in Charleston, WV, which will attract attendees from all over the world.

By integrating research, research implementation, education and training under one roof, the unique UTC model leverages academic resources and provides the stability to expedite the development of the national transportation system. Without RTI and other institutions in the UTC program, there would be large voids in all aspects of the current transportation system and future innovation will be severely inhibited. During my senior year at West Virginia University, I chose to enter the field of transportation engineering and intelligent transportation systems because the transportation problems are very complex and they directly affect the public on a day-to-day basis. The UTC program has given me, and many others, the opportunity to solve these problems on both a local and national level.

Congress had the vision to create the UTC program approximately 23 years ago, which was integral in achieving the transportation system we have today. Now, the future of the transportation system and the route we will take to get there is in your hands.

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RTI
RAHALL APPALACHIAN
TRANSPORTATION INSTITUTE

Introduction

The Rahall Appalachian Transportation Institute (RTI) is a National University Transportation Center (UTC) funded by the United States Department of Transportation's Research and Innovative Technology Administration (RITA) and based at Marshall University. The UTC system has developed internationally recognized centers of excellence and leadership that help ensure the safe, efficient and environmentally sound movement of people and goods through research and innovation.

RTI's theme of "Transportation and Economic Development in Mountain Regions", is embodied via the Institute's efforts to advance transportation technology and economic development through its research, education and technology transfer activities. RTI cultivates relationships with private industry and public agencies to leverage resources, reduce costs, improve safety and mobility, and stimulate economic development.

RTI's headquarters are located in the heart of the Appalachian Region featuring the largest inland river port in the nation (and 4th in the world) as well as the intersection of two major rail lines and a variety of intermodal facilities in the area. These unique resources position RTI as an ideal resource for conducting site-specific research, supporting intermodal planning and analyzing economic data that will improve mobility and global connectivity.

Research, Implementations, and Technology Transfer Deployments

Transportation research, such as that performed through the UTC system, attracts new business, creates high-paying jobs, and improves the overall strength and stability of the nation. Private industry, public agencies, educational institutions, and research facilities must partner to maximize resources, foster the exchange of information, and promote emerging technologies.

Categories of RTI's collaborative research on multimodal transportation issues include:

- Civil and Material Science Engineering
- Technology / Product Development
- Geotechnical / Environmental
- Socio-Economical / Demographic

The technology transfer component of RTI's mission provides that research results be made available to the marketplace for the greater public benefit. The implementation of research results and practical applications is crucial to answering the transportation-related problems facing both the public and private spheres. Through such activities, RTI has become recognized beyond the Appalachian Region as a source of essential technical knowledge that enhances the development of new transportation products and systems.

Heartland Corridor Double Stack Train Initiative:
(Improving Efficiency of Truck/Rail Intermodal Transportation - The Case of WV)

- This multi-year project examined simulated routings under modified railroad trackage and the removal of restrictions designed to accommodate double-stack container equipment.
- The authors concluded that the modification to existing track clearances and the introduction of an intermodal facility could provide a 2.0 to 5.1 benefit-to-cost ratio even under the most conservative set of assumptions.
- The use of double stacked trains will reduce highway congestion and fuel consumption while improving safety.

Appalachian Development Highway System – Cost Estimation and Planning Application

- This GIS-based application facilitates the estimation of construction costs necessary to complete the Appalachian Development Highway System.
- The project provides streamlined cost estimate workflow, improved mapping applications and state-level cost monitoring functions.
- The tool has aided the Appalachian Regional Commission in reducing the costs of generating construction-based cost estimates by 42% and greatly facilitated the economic impact of completing the system.

Electronic Commercial Driver's License (eCDL)

- The project takes the traditional Commercial Driver's License (CDL) testing practice from a paper-based system into a fully automated computer based platform with GPS capabilities.
- As a result of the eCDL project, CDL test subjectivity has been reduced and data tracking aids in eliminating fraudulent tests.
- The project also has increased the speed involved in reporting required federal statistics while also reducing human error.
- If deployed nationally, the eCDL process could result in both cost and time reductions across the board while holding everyone to the same high standards.

Morgantown Traffic Flow Improvement Project

- This project seeks to improve the overall flow of traffic in the Morgantown, WV area within the downtown central business district and along the 705 Corridor.
- An important component of this project is the development of a methodology to predict the performance of adaptive traffic signal control prior to deployment. This methodology can be used by other agencies to evaluate and cost effectively deploy adaptive control systems, which aren't always necessary to achieve optimal traffic flow.
- The sensors that will be installed as part of this project will be used to continually monitor and improve the traffic signal timings and traffic flows over time.

In addition to the four projects highlighted above, several on-going projects promise to provide similar substantive results. Projects such as these highlight efforts at RTI to implement research findings toward practical technology initiatives that can successfully leverage regional and federal resources. Current projects include:

- Potential Economic Benefits of Public Private Partnerships on Reclaimed Mine Sites in the Construction of the King Coal Highway
- Estimating Short Term Lock Traffic Forecasts for Ohio River System (ORS) Navigation Lock and Dam Projects
- West Virginia 511 Feasibility Study
- West Virginia State High-Speed and Intercity Passenger Rail Plan
- Creation of West Virginia Parkways Authority by the WVDOT: 2009 Traffic and Toll Revenue Forecasts

Education, Workforce Development, and Training

RTI supports a comprehensive educational curriculum relating to transportation including undergraduate, graduate, and continuing education coursework. Education activities at RTI are designed to produce the highly-skilled transportation workforce necessary to design, deploy, maintain and operate current and future complex transportation systems.

As a liaison between private business and public agencies, RTI's workforce development program facilitates effective partnerships for training, custom curriculum development, technology transfer, and funding opportunities. Faculty from programs in Business, Engineering, Environmental Science, Geography, Geology and Physics have helped extend transportation course offerings at the University level as well as contributed to a successful continuing education program that reaches more than 1,000 transportation professionals each year.

~~ Mike Whitt Testimony ~~

Committee on Transportation and Infrastructure's
"Improving and Reforming Our Nation's Surface Transportation Programs"

Monday, February 14, 2011

Theater at Tamarack, Beckley, West Virginia

My name is Mike Whitt, and I'm the executive director of the Mingo County Redevelopment Authority in Williamson, West Virginia.

I'd like to, first, take this opportunity to thank Chairman Mica and the Committee on Transportation and Infrastructure for holding this very important hearing in southern West Virginia.

I'd like to talk about public/private partnerships in regards to construction of new roads.

Currently in Mingo County, we have a 15 mile section of the I-73/74 King Coal Highway under construction. Twelve miles of this highway are being constructed as a public/private partnership between Nicewonder Contracting, Inc., WV Department of Transportation, and the Federal Highway Administration. The remaining three miles are being constructed as a post mine land use project in accordance with my agency's Land Use Master Plan. The projected cost of building this road as a publicly funded project was approximately $400 million. However, by constructing the same highway as public/private project, it's projected to result in a savings to the tax payers of approximately $270 million, once construction is complete.

We have an additional section of King Coal Highway, approximately six miles, that has been committed by a coal company and a land company to be constructed to rough grade, as a 100% post mine land use project. Once the initial construction is complete, the right of way will be donated to the Department of Transportation, and there won't be any public money involved in this project until the final grading, drainage and paving are underway. The cost of building this six mile section as a public/private partnership is approximately $4 million per mile, in comparison to $28 million per mile if we had to do all of the construction. The only thing holding this project up is a mining permit that the EPA has held up.

We have other sections similar to what I'm discussing with you that we could get a number of miles of this road constructed for approximately $0.30 on the dollar; however, we have to have this reauthorization of the Highway Trust Fund Bill, and there has to be the ability to have earmarks for certain sections of these roads so that you can get the biggest bang for your buck for what few federal dollars flows into West Virginia for projects like this.

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I appreciate the time allotted me to speak to you about the projects that are under construction in my area of West Virginia, and I personally invite you and the committee to see how we're getting things accomplished in the steep, rugged terrain of Mingo County, West Virginia. Our Congressional team does a tremendous job obtaining funds to do projects such as this in the southern part of our great state.

Mike Whitt
Executive Director
Mingo County Redevelopment Authority

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Charleston, WV, Listening Session, February 14, 2011, Testimony for the Record

KANAWHA COUNTY COMMISSION

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Henry C. Shores
Commissioner

W. Kent Carper
Commissioner

David J. "Dave" Hardy
Commissioner

February 14, 2011

To Whom It May Concern:

1. The Kanawha County Commission and Yeager Airport fully support continued AIP Funding to supplement the continued growth and Capital Improvement of this State's Aviation Infrastructure.

2. Support continued funding of the Essential Air Service (EAS) program for Commercial Air Service Access to rural West Virginia communities.

3. Discretionary funds have benefited Yeager Airport, the Air National Guard, and all Public Airport in West Virginia.

Thank you for your consideration and support.

W. Kent Carper, President
Kanawha County Commission

KANAWHA VALLEY REGIONAL TRANSPORTATION AUTHORITY
1550 FOURTH AVENUE • P.O. BOX 1188 • CHARLESTON, WEST VIRGINIA 25324 • PHONE (304) 343-3840 • www.rideonKRT.com

Statement submitted by
The Kanawha Valley Regional Transportation Authority (KVRTA)
Dennis E. Dawson, General Manager
before the
Transportation and Infrastructure Committee
United States House of Representatives
February 14, 2011
Beckley & Charleston, WV

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Chairman Mica, Congresswoman Capito, other members of the Committee, staff and other guests I would like to thank you for the opportunity to submit comments concerning the importance and future of the federal surface transportation legislation and it's effect on public transit in West Virginia and specifically the states largest transit system KVRTA, located in Charleston.

- In rural states, access to transportation is a major issue to our constituents; in fact it could be successfully argued that it may be the most important issue facing our citizens. Access to jobs, education, shopping and healthcare would be severely limited without adequate public transit. At KVRTA, we transport over 2.4 million passengers annually. Unlike major urban areas such as Washington, DC or New York City, the majority of our passengers are not riding by choice, but are actually riders of necessity. In most cases our riders have no other available means of transportation. In fact, surveys have shown that 77.5 % of KVRTA passengers did not have a car available for their trip and 54.3% do not even own a car. Access to affordable public transit is a lifeline to many West Virginians and the work your Committee is undertaking will surely have a deep and profound effect on all passengers here in West Virginia and public transit passengers nationwide.

- The lack of an authorization bill has had a detrimental effect on the transit systems in our state as we are currently operating in a time of uncertainly. At KVRTA, we have had several requests for increased service and quite frankly we do not have the resources available to accommodate these requests. The rumors circulating that transit can expect a six percent (6%) reduction in funding are troubling to say the least. This cut would result in a loss of $152,580 annually for KVRTA and would be equally as detrimental to other transit properties in West Virginia.

- Now is the time to take action to complete the FY-2011 appropriations and right now is the time to get our nation rolling again with a sound investment in our public transit infrastructure and operations. A recent study completed for the American Public Transportation Association (APTA) has indicated that:

  Capital investment in public transportation (including purchases of vehicles and equipment, and the development of infrastructure and supporting facilities) is a significant source of jobs in the United States. The analysis

indicates that nearly 24,000 jobs are supported for a year, per billion dollars of spending on public transportation capital.

Public transportation operations (i.e., management, operations and maintenance of vehicles and facilities) are also a significant source of jobs. The analysis indicates that over 41,000 jobs are supported for a year, for each billion dollars of annual spending on public transportation operations.

- People ride public transit to either spend money or make money. No other investment made by Congress has such a positive effect on the daily lives of your constituents as daily access to jobs and the goods and services that are provided through viable public transit.

- The burdensome and restrictive Federal Transit Administration (FTA) charter regulations, currently in effect, and the statewide cuts in Non-Emergency Medical Transportation reimbursements through Medicaid have greatly eliminated additional avenues for revenue and have greatly reduced opportunities to generate non-transportation revenues that can be put back into our system's transportation infrastructure. Add to this the potential reduction in federal funding and the ever increasing price of fuels, public transit properties throughout West Virginia and the nation will surely be forced to eliminate service and increase fares to your constituents. Efforts should be made to set sensible regulatory policies that would allow (during off peak times, at a competitive cost) transit systems the opportunities to generate non-transportation revenues to help offset the cost of public transportation services.

- In the past, through the authorization and appropriations process, Congress at times has, to use an old saying, "robbed Peter to pay Paul". Too often when new initiatives are developed, funding for certain formula programs are reduced or are increased only slightly to cover the expense of the new program. This has resulted in a reduction in funding levels to many transit properties. The Small Transit Intensive Cities fund implementation appears to be funded by cuts in the 5307 formula program as our base apportionment was reduced. While KVRTA does qualify for 2 of these incentives (and is over 83% of threshold to meet the other incentives) our total funding apportionment did not increase. It would have only increased had we qualified for all of the incentives. Being located in a rural state, it is very difficult to meet all the incentives. So the net effect of this program resulted in funding reductions to KVRTA other transit properties in West Virginia.

- Perhaps the most pressing issue facing KVRTA and The Tri-State Transit Authority in Huntington, WV as well as other smaller urban area transit properties throughout the nation, is the imposed restrictions on how urbanized areas over 200,000 are allowed to use their federal apportionments. Currently, both KVRTA and TTA (being classified as urban areas between 50,000 & 200,000 in population) have the flexibility to utilize our perspective funding for either capital or operating expenses. Currently urbanized areas over 200,000 do not have this flexibility. In the fall of 2010, the Department of Commerce issued Notice of Proposed Criteria that would, based on the 2010 census, combine Charleston and Huntington into one TMA which would create an urban area population of 354,568. This would result in KVRTA and TTA losing the ability to use our federal funds for operating expenses. It is imperative that systems like KVRTA and TTA be allowed to maintain this flexibility in the future. There is a proposal within the industry to give this much needed flexibility under the rule to small transit systems with less than 100 buses that operate in larger urban regions. These changes would not cost a single dollar more from the Mass Transit Account. We have requested information on what the effect on the total dollars available to this new Charleston-Huntington combined urban area, but to date, no one at FTA has been able to compute that figure. However, the inability to have the local flexibility would most definitely result in service cuts, increased fares and lost jobs.

Chairman Mica, I sincerely want to thank you for the opportunity to submit these comments and appreciate your committee's consideration of these pressing issues. I hope you enjoy your visit to the great state of West Virginia and if we at KVRTA can be of any assistance to you, Congresswomen Capito, or other members of your Committee and staff, please do not hesitate to call upon us.

Dennis E. Dawson, General Manager
Kanawha Valley Regional Transportation Authority (KVRTA)
Charleston, West Virginia

PRESENTATION BEFORE THE U.S. HOUSE OF REPRESENTITIVES COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE LISTENING SESSION

JOE DENEAULT, CO-FOUNDER
WEST VIRGINIANS FOR BETTER TRANSPORTATION

CHARLESTON, WEST VIRGINIA
FREBRUARY 14, 2011

Good morning. My name is Joe Deneault. I am the Co-Founder and Treasurer of West Virginians for Better Transportation, a transportation educational organization. We are a statewide coalition of over 300 partners consisting of a wide range of transportation stakeholders in West Virginia focused on informing West Virginians of the importance of a modern, efficient transportation system and the threats to our existing system. Our coalition of business, labor, public interest associations, city and county governments and others have many differing opinions on transportation but what brings us together is our strong unifying belief that our transportation system is vital to West Virginia and the country and it is in crisis.

We are pleased that the Committee has chosen West Virginia to begin public input on transportation reauthorization and are honored to have the opportunity to present our views and concerns.

The beautiful mountains, picturesque river valleys and wonderful miles and miles of rural countryside that makes West Virginia such a unique place to live and visit also makes it one of the most difficult and expensive places to build a modern surface

transportation system. While West Virginia embraces all of the modes of the U.S. surface transportation program make no mistake it is highways that touch our citizens in every aspect of their lives. The historic partnership between the federal government and West Virginia has allowed the scaling of the mountains, the bridging of the rivers and the passage of the countryside by our Interstate Highway System, the nearly complete Appalachian Highway System and other highways of national significance.

These highways have transformed the areas around them with increased economic vitality, greater mobility and have literally shrunk parts of our state and made neighbors of communities that previously were many difficult miles apart.

These highways were built for more than just the benefit of West Virginia and its citizens. Highways of national significance in West Virginia serve as a vital part of carrying on our nation's commerce, enhances it's defense and disaster preparedness and gives those citizens not fortunate enough to call West Virginia home the opportunity to within a few hours be transported to all that nature has to offer.

This partnership which has served so well in the past is no longer working as well as it should. West Virginia's and the nation's surface transportation system is in crisis. We have allowed our existing transportation system to deteriorate and expansion needs to go unmet to the point that our nation's economic competitiveness, our citizens safety and quality of life are at risk.

Due to inadequate funding we have deferred maintenance on our existing system for many years acting as if one more year will not matter. Repeated year after year, this neglect has taken its toll on our transportation system. It is reported that real highway spending has fallen almost 50% per mile traveled since the Highway Trust Fund was established. Also, total combined highway and transit spending as a share of GDP has fallen about 25 percent. Further, because it is not adjusted for inflation the federal gas tax has experienced a cumulative loss in purchasing power of 33 percent since it was last increased in 1993. This reduction in real funding has occurred at the same time that travel on our highways has more than doubled, loads carried greatly increased and the majority of our system has greatly aged. Over half of miles in the federal-aid highway system are in less than good condition, more than 25 percent of the nation's bridges are structurally deficient or functionally obsolete and while not a huge problem in West Virginia congestion is choking most of our urban areas.

The crisis of a deteriorating, inadequate federal highway system and critically deficient federal funding has been documented in report after report done by prestigious commissions, task forces and organizations such as the Transportation Research Board (TRB), American Society of Civil Engineers (ASCE), American Association of State Highway and Transportation Officials (AASHTO) and many others. While our time here does not lend itself for a discussion of all or even a small part of the findings of these studies, We believe that it is helpful to focus on one statement from the unanimous report of the National Surface Transportation Infrastructure Financing Commission which was established by Congress. I quote, "Without changes to current

policy, it is estimated that revenues raised by all levels of government for capital investment will total only about one-third of the roughly $200 billion necessary each year to maintain and improve the nation's highways and transit systems. At the federal level, the investment gap is of similar magnitude, with long-term annual average Highway Trust Fund (HTF) revenues estimated to be only $32 billion compared with required investments of nearly $100 billion per year." Recent House of Representative actions have even brought into question the spending all of the available Highway Trust Fund revenues to help address the crisis.

It is about the money!!! For many years much attention has been focused on various innovative financing mechanisms seeking to find some "silver bullet" that will solve a problem that is for the most part created by this funding gap. Highway funding is the making citizen's money available to devote to our highway system. It may be received from taxes, fees and public or private tolls but make no mistake its ultimate source is from citizens. Financing, innovative or otherwise, is how funding is leveraged to advance some projects in a timely manner. When bonds are sold to build a project that is financing. When those bonds are paid off using taxes, fees or tolls that is funding. Financing does not create funding. We urge you to seriously concentrate on adequately funding our surface transportation system.

We understand that our country is in the process of a great debate concerning the proper role of the Federal government and its funding level. We do not believe that the decision to adequately fund surface transportation should even be in question. Our

survival as the leading economic engine in the world, along with the safety and quality of life of our citizens is at stake.

Multiple studies have shown the need is there. The transportation builders of this country; engineers, contractors, labor and suppliers are working well below their capacity and stand ready to meet the demands of an accelerated transportation maintenance and construction program. The jobs generated by an adequately funded investment in the nation's transportation system will go far to reduce our unemployment rolls and will greatly boost economic activity in the country now and for years to come.

We urge you to advance a multi-year reauthorization bill. To do less will make it impossible for our Federal and State agencies to do efficient planning and carry out a well considered transportation plan. In the end if the only option is a continuing resolution we urge you to make it extend for a year or more and use that time to advance a long-term transportation plan for the United States that will heal our system and will ensure that our country dedicates the resources needed to have a transportation system worthy of our place in the world.

We wish to thank you for the opportunity to speak at this listening session and West Virginians for Better Transportation stands ready to help the Committee in any way desired.

Thank You

E.L.ROBINSON
the Challenge. the Choice.™

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington DC 20515
Attn: John L. Mica, Chairman

Re: Listening Session
February 14, 2011
Charleston, WV

Dear Chairman Mica:

Thank you again for bringing a portion of your committee including Congressman Nick Joe Rahall and Congresswoman Shelley Moore Capito to Charleston, WV to conduct a listening session regarding proposed legislation for the reauthorization of the nation's highway, transit, and highway safety programs.

Several ideas and proposals were introduced to you and your committee during this listening session that hopefully will prove beneficial to the reauthorization legislation. At the end of the session, you requested that any additional suggestions be mailed to you.

A program that had been implemented by the West Virginia Division of Highway in recent years is called "Best Practices". I believe that if this program were utilized nationally that hundreds of millions of dollars could be saved to stretch this nation's tightening budget.

Our Secretary of Transportation, Mr. Paul Mattox, P.E. has implemented several cost saving initiatives that have saved West Virginian's tens of millions of transportation dollars.

Two examples are:

The first initiative was the bundling of small bridge projects. These are small bridges (less than 165 feet in length) in the same highway districts that were designed by the same engineering firm and could be packaged together into a larger construction project. Economies of scale resulted in savings of several millions of dollars.

The second initiative, and most productive, was the implementation of "Alternate Design and Bidding of Pavements". Until the last several years a single type of pavement was specified and constructed on any new highway project. This initiative resulted in a savings of tens of millions of dollars on only a handful of projects.

5088 Washington Street, West • Charleston, West Virginia 25313
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Other locations: Beckley, WV • Chapmanville, WV • Columbus, OH • Ironton, OH • Ashland, KY

I know that these and other "Best Practices" have been implemented in West Virginia and could save hundreds of millions of dollars if utilized throughout the nation.

Chairman Mica, I would like to thank you and your committee for taking the time to listen.

Sincerely,

E.L. Robinson, P.E.
President

Cc: Congressman Nick Joe Rahall
Congresswoman Shelley Moore Capito
Governor Earl Ray Tomblin
Secretary Paul Mattox

From: Laura Spadaro
Sent: Friday, February 25, 2011 3:12 PM
To: Hines, Clint
Cc: Stasiowski, Andrew; aaron prichard
Subject: Corrections and Additions to Comments Delivered February 23, 2011

WV Citizen Action Group, Charleston WV, 25311 304-346-5891

February 25, 2011

To: Representative John L Mica, Chair, Committee on Transportation and Infrastructure, WV 3rd District Representative, Nick J. Rahall II, WV 2nd District Representative, Shelley Moore Capito

RE: Beckley WV hearings , Committee on Transportation and Infrastructure field hearings to reauthorize Federal Surface transportation programs under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)

Thank you for making West Virginia the first stop on your Listening Tour in advance of the reauthorization of the transportation bill. Below are my comments for West Virginia Citizen Action Group.

Sincerely,

Laura E. Spadaro
Community Organizer and resident of Oak Hill, West Virginia

Please Pass a Robust and Targeted Federal Transportation Bill

We need to pass the federal transportation reauthorization bill to ensure that we continue to maintain the transportation system that is so vital to our economy. Investing in our nation's transportation infrastructure is an investment in our economy's foundations.

Too many of our roads and bridges are in need of desperate needs of repairs. Fixing our existing transportation system should be a priority. We should address infrastructure problems before building new roads with direct funding of such projects. Further, support for low-income car ownership in areas where public transportation is not possible, feasible, or economically viable would be a big help for West Virginia and other predominately rural states. A flexible approach should be used in rural areas such as West Virginia which combines and encourages public and private ownership of transportation resources thereby enhancing all citizens' access to our transportation system.

Right now in West Virginia, it is very difficult to get around by any means other than a car. This can be very difficult for the elderly and disabled, who can become isolated if they are unable to drive. We also need to support smart transit and paratransit services that are integrated and that can efficiently serve the needs of West Virginians. We need to support intercity buses and improve the Amtrak service in the state. In some areas of West Virginia light rail infrastructure development would be appropriate. In any case, highway projects should not be favored over other transportation projects and needs such as high speed rail or transit projects. A new approach is needed for the twenty-first century. States and regions need more flexibility to meet the

transportation needs of our citizens.

Investing in transportation creates jobs. Repairing roads and bridges, maintaining our freight rail systems, and investing in transit not only directly create jobs in construction and operation of transit systems, it can also help spur manufacturing. The steel used in rail lines has to come from somewhere. Buses need to be built.

We are concerned that our tax money is being spent wisely. We want to see federal funding which encourages local planning that gets us positive improvements in our state's transportation system.

The Friends of the Cardinal
Written Statement to:
The House Committee on Transportation and Infrastructure

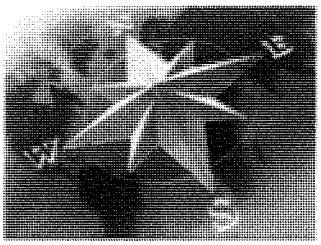
For the Winter/Spring 2011 hearings on the Surface Transportation Reauthorization Bill

Thank you for giving us the opportunity to present this testimony. The Friends of the Cardinal is a group of local citizens who live and travel through and beyond Southern West Virginia. We depend on passenger trains as an essential travel choice. They are an alternative to the stresses and cost of driving and flying -- (especially given the limited affordable air service in our region AND High Gasoline Prices.) Rail's superior energy efficiency becomes more and more important as oil prices continue to rise.

We ask the Committee to address the following issues in the new Surface Transportation Authorization Bill:

1. We live in a rural state. Our late Senator, Robert C. Byrd, was speaking for us and our needs in a 2005 address: "Amtrak carries people between our biggest cities and our smallest communities. Without Amtrak many regions of rural America would return to isolation."
2. We are concerned about the increasing burden of transportation costs on American household budgets. A recent study found that in Houston, Texas, the average family spent more than 20 percent of its household income on transportation. The average family in Baltimore spent only about 14% on transportation. The one significant difference: Baltimore has an extensive rail passenger system. It includes service for long distance and commuter travel, and also includes buses, a light rail system, a subway line, and auto parking areas, especially lots in the outlying areas convenient to the mass transit services. At the time of the study, Houston had automobiles and some buses as its only mode of ground transport.
3. We are concerned about several national and international West Virginia destinations that have indicated they need passenger rail to remain viable and competitive and avoid being traffic bottlenecks in the community. These destinations include the Greenbrier and the Bechtel Family National Scout Reserve along the route of the Amtrak Cardinal, and several training centers in the Eastern Panhandle area run by/for agencies of the Federal Government, where employees and attendees commute by Amtrak and MARC trains. We maintain that good frequent/ convenient passenger rail service is essential for the continued economic health of West Virginia.

4. We are concerned that once a planning process for surface transportation is put in place, Congress backs up the planning with the necessary funding. For example, as a result of the Passenger Rail Investment and Improvement Act of 2008, the National Railroad Passenger Corporation (Amtrak) conducted a series of Route Improvement Plans for several long distance routes during FY 2010. As a result of these legislatively-mandated studies, it was determined that the frequency for trains # 50 and 51, *the Cardinal*, must be increased from three times a week to daily, both to meet the needs of the communities and destinations on the route, and to secure a decent rate of return through a more efficient use of crews and equipment. However, the current threatened reductions in Amtrak's operating grant would make daily service of trains # 50 and 51 impossible. We recognize that no one session of Congress can compel a future session to act. Nevertheless, it is extremely wasteful to spend money for planning, only to have these plans overturned by overzealous would-be budget cutters in a future Congress. To do transportation systems well it takes time, most often longer than the normal Congressional budget cycle allows. Somehow your legislation must address this issue.
5. We urge that surface transportation plans encourage a flexible approach to solving the nation's transportation problems. Specifically, we believe it is necessary to allow governmental bodies to address emerging transportation needs using a combination of modes as they arrive at a solution. For example, West Virginia is beginning to experience significant congestion in the Harrison-Marion-Monongalia corridor. Likewise, the Eastern Panhandle counties of Jefferson, Berkley and Morgan continue to grow, accompanied by traffic congestion. Up until now, the approach for most of these problems has been to build new highways and widen existing ones. But the experience of other parts of this country, for example the I-66 and I-95 corridors of Northern Virginia, has shown that "more pavement" will help for a short time, but eventually creates more of a problem because it attracts more traffic. Any Surface Transportation Program must allow for flexibility in addressing all transportation needs not only in our state, but nationally.
6. Last, and most importantly, we urge that any Surface Transportation Plan mandate that our country's energy and natural resources are not wasted. The days of plentiful energy are over. Two studies by the US Department of Energy have shown that passenger rail is the most energy efficient transportation method. Studies by several different private and publicly funded entities have measured the comparative carbon footprint and assessed the use of land surface, and consistently demonstrated the benefits of passenger rail over all other travel modes. Since transportation, more specifically interstate commerce, is a historic Constitutionally mandated function of the federal government, we urge you to take the responsibility of putting language in the bill that prioritizes the reduction of energy consumption and maintaining the ecological balance necessary for life as we know it.



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February 19, 2011

John L. Mica, Chairman
U.S. House of Representatives
1410 Longworth H.O.B.
Washington, D.C. 20515

Dear Chairman Mica,

It was an honor and our pleasure to meet you in Charleston, WV at the open public forum listening session for the Committee of Transportation & Infrastructure. Thank you for allowing us the opportunity to share our idea and proposal to your committee.

We believe our proposal will enlighten you and the committee to the substantial and unnecessary losses and expenses occurring each and every day which adversely affects small business, local, state and federal governments; in particular, transportation and infrastructure funding needs.

We have presented our solution based upon our experience and knowledge from working with motor fuel resellers. Although, some gas taxes are pre-collected before the fuel is actually sold to the end user or consumer, our government allows for gasoline shrinkage refunds to both the distributor and motor fuel resellers. Shrinkage refunds were established to protect distributors and resellers from loss of fuel by evaporation and spillage. It is our belief this shrinkage is actually occurring more significantly from meters operating within the 1974 tolerances of inaccuracy established by the National Institute of Standards and the National Conference of Weights & Measures.

We believe a revision of the current tolerances of inaccuracy and implementation of a training program for motor fuel resellers to manage meters would reduce the gas shrinkage refunds, save tax dollars from the unnecessary administrative cost to process the refunds, generate higher profits for small business, and increase tax revenues into local communities. On a final note, the current pre-collection of the gas tax also creates liquidity issues for distributors and motor fuel resellers, as the wholesale fuel prices sky rocket, and they struggle to stay in business.

Thank you for your interest in our proposal. Please do not hesitate to contact us if you have any questions or require any additional information.

Sincerely,

Judy L. Tipton

New Pro Consulting

Multi-Year Highway Bill
Funding Solution

1

Thursday, October 14, 2010

"Congress must enact a multiyear reauthorization of transportation programs that will help to build this nation's infrastructure for the 21st century."

- Rep. John Mica (R-Fla.)

Ranking member on the Transportation and Infrastructure Committee.

US Industry Groups Urge Multi-Year Highway-Spending Bill

ARTBA chief blasts inaction on highway, transit bill.

"hundreds of thousands of U.S. jobs could be lost ."

- CEO Pete Ruane -American Road & Transportation Builders Association

4

Gasoline tax unable to fill federal highway fund's tank.

"A more imminent question is how to raise money in the short term to address the nation's infrastructure needs."

- By Jon Schmitz, Pittsburgh Post-Gazette

"I need to see a full plate of options,"

"There's no way we can reauthorize the highway [funding] bill without a revenue stream."

- U.S. Rep. Jason Altmire, D-PA

Yes, we have a solution for the....

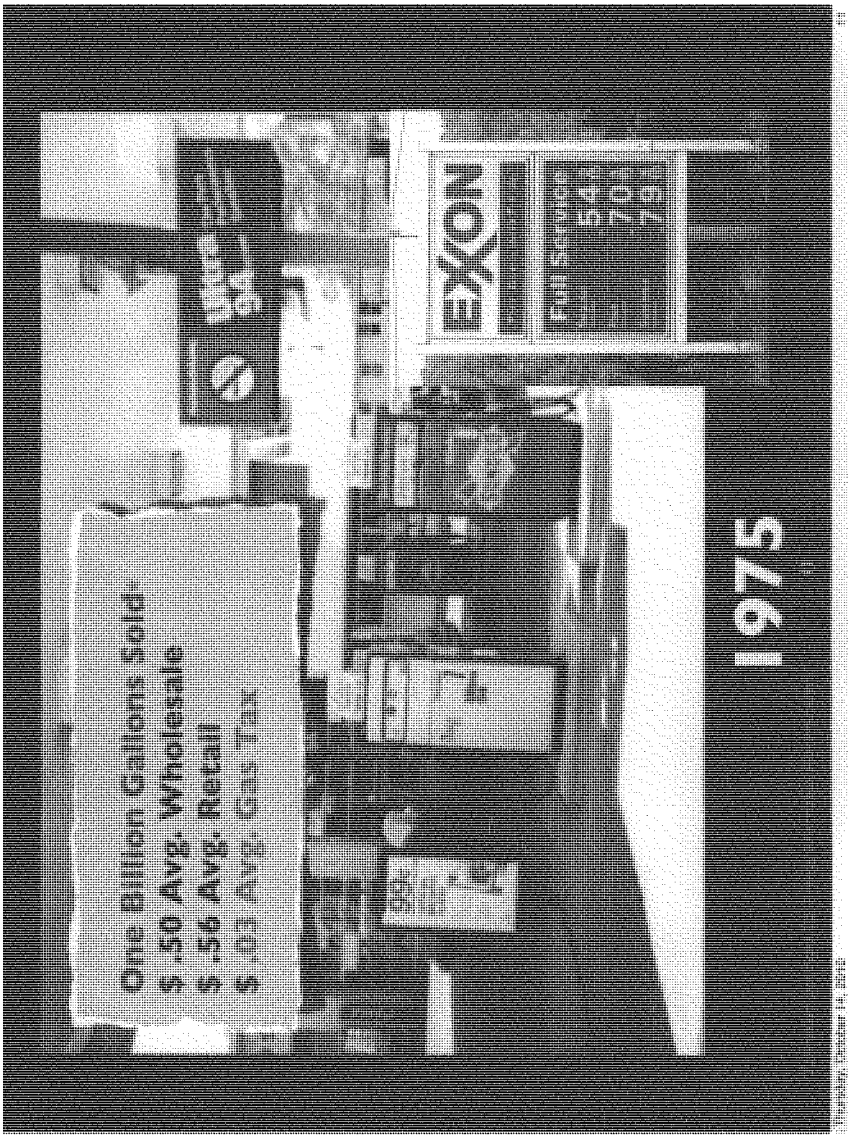
MULTI-YEAR HIGHWAY BILL
&
HIGHWAY TRUST FUND

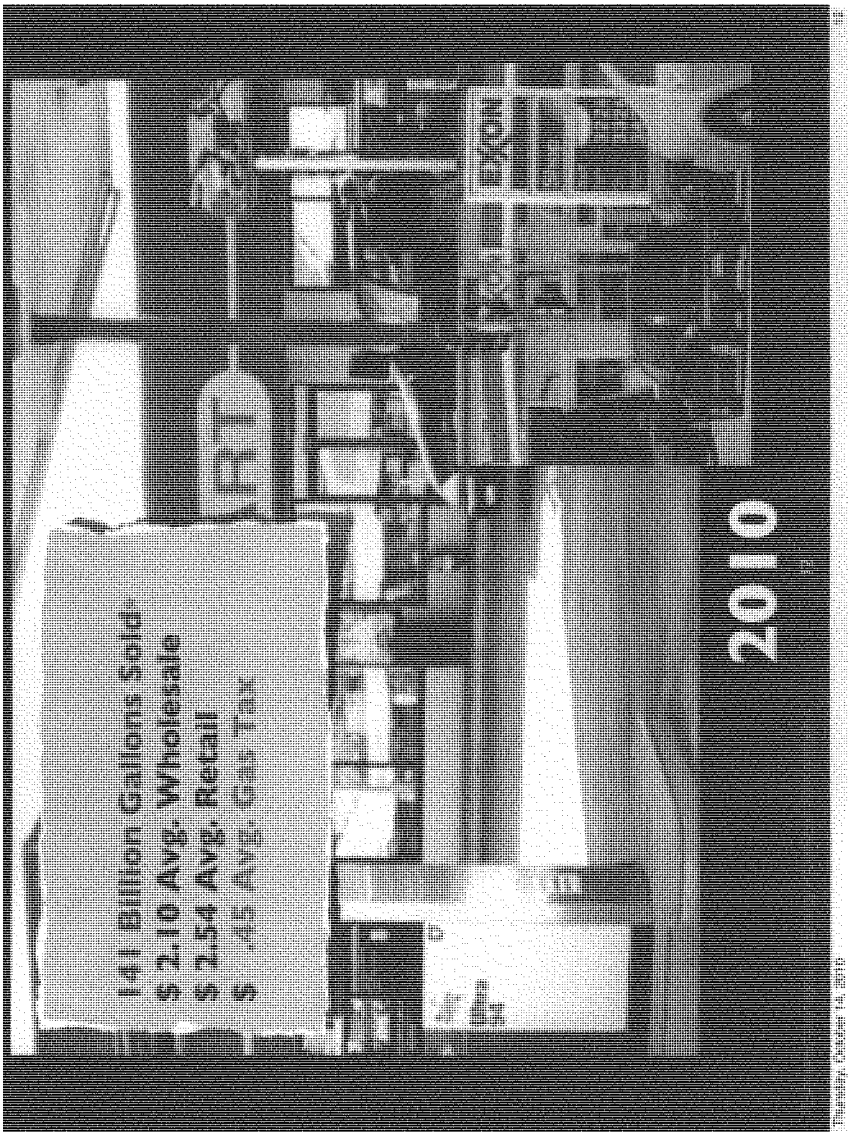
1. **NO** gas tax increase.
2. **NO** new tax.
3. **NO** new user fee.

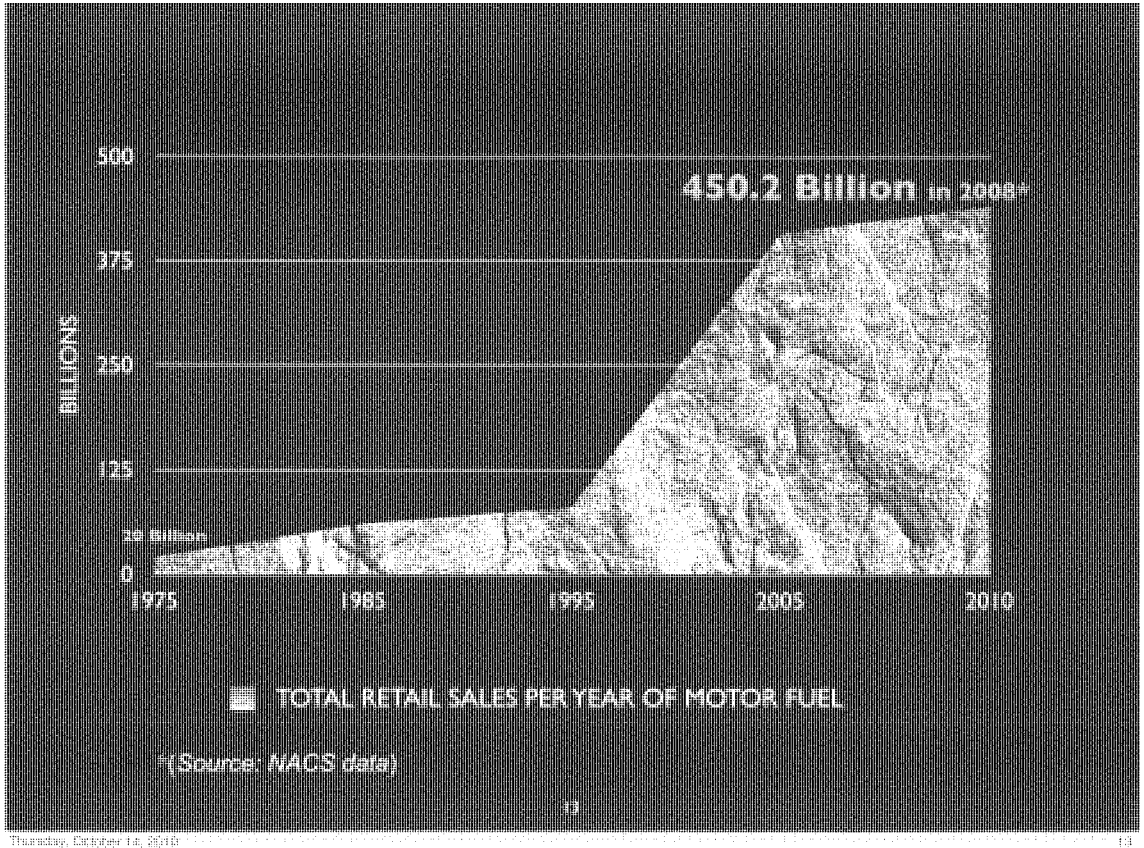
The Road to Prosperity in the 21st Century

Our Beliefs

1. We believe the Tolerances of Inaccuracy established in 1974 by The National Conference of Weights & Measures for regulating motor fuel dispensing meters are antiquated and unnecessarily liberal for today's fuel cost and volume sold.

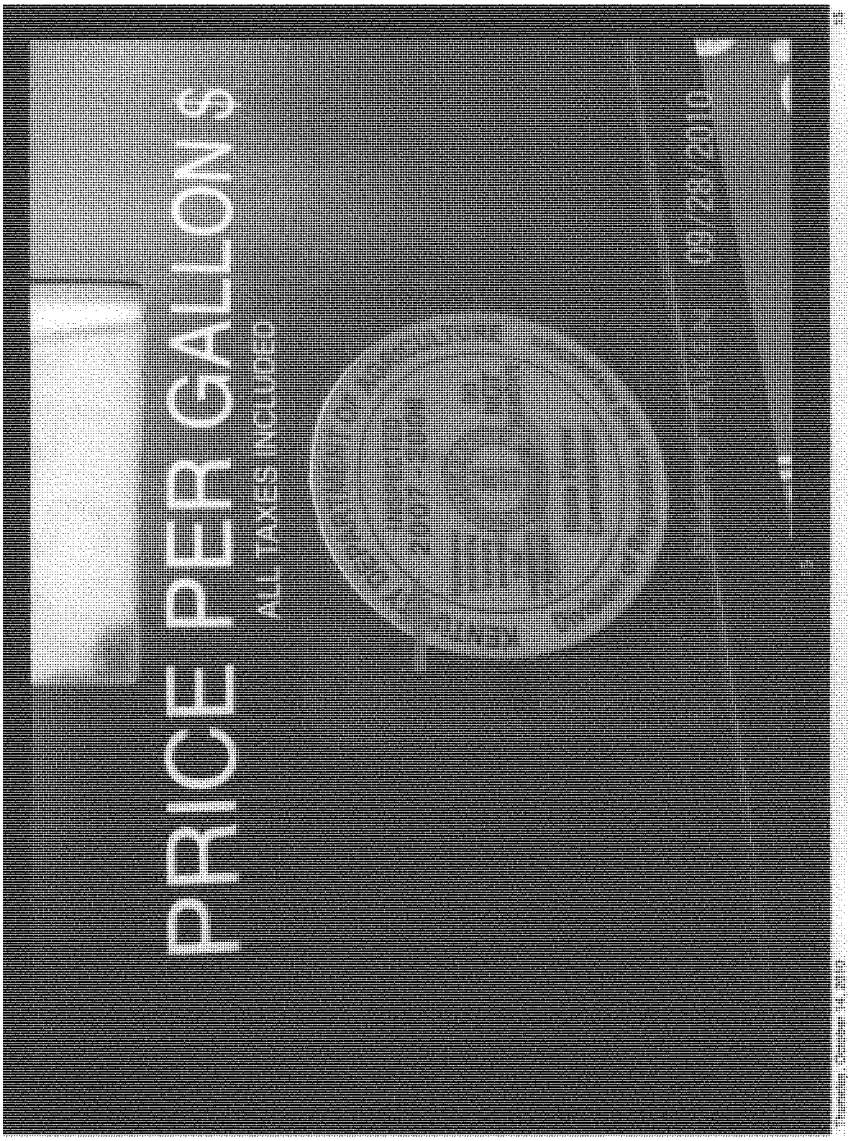

One Billion Gallons Sold-
$ .50 Avg. Wholesale
$ .56 Avg. Retail
$ .03 Avg. Gas Tax
EXXON
1975


141 Billion Gallons Sold
$ 2.10 Avg. Wholesale
$ 2.54 Avg. Retail
$ .45 Avg. Gas Tax
2010


450.2 Billion in 2008*
BILLIONS
500
375
250
125
0
1975
1985
1995
2005
2010
TOTAL RETAIL SALES PER YEAR OF MOTOR FUEL
*(Source: NACS data)

Our Beliefs

2. We believe budget shortfalls have reduced our states' Department of Weights & Measures ability to perform timely inspections of motor fuel meters required by law.


PRICE PER GALLON $
ALL TAXES INCLUDED
09/29/2010

Our Beliefs

3. We believe motor fuel resellers have misinterpreted the established tolerances and have adopted them as an operational standard, instead of an operational "grace" allowed by The National Conference of Weights & Measures.

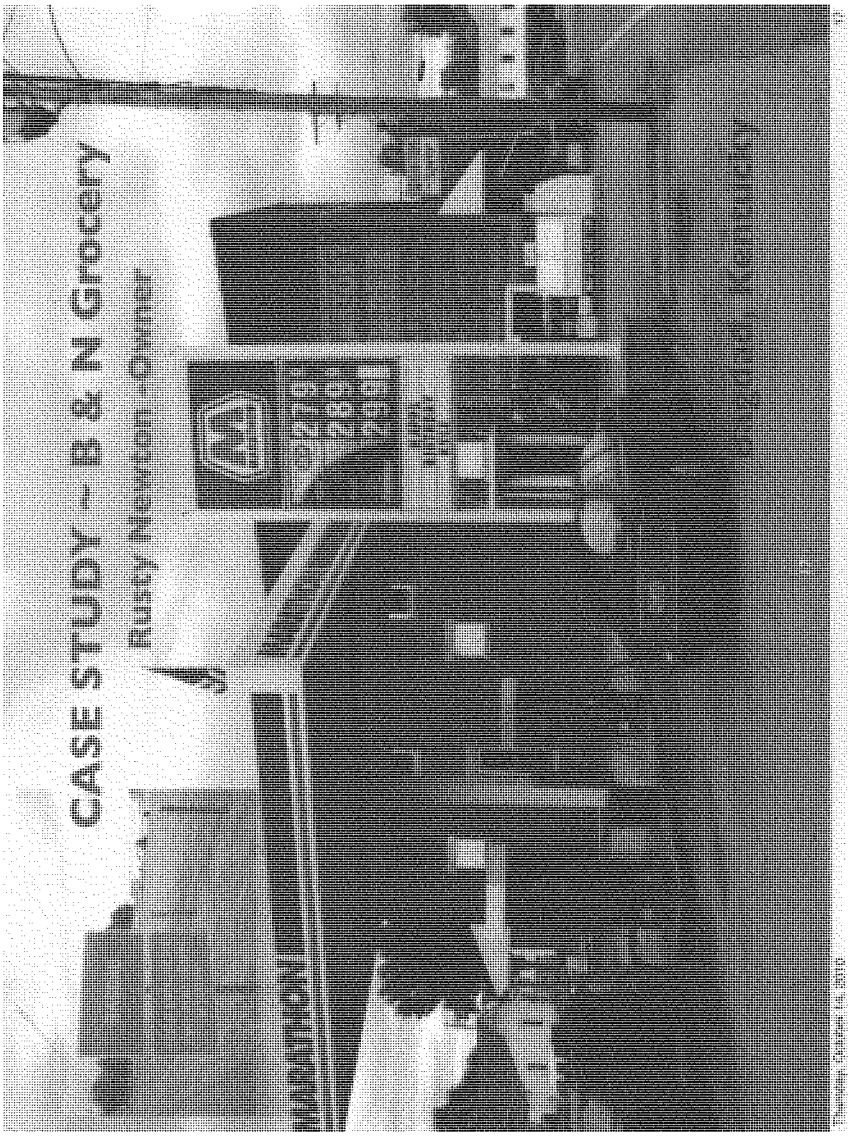


Photo: Carter 16, 2010

Mr. Newton's gasoline dispensers at his store were recently inspected by the Kentucky Department of Weights & Measures. Mr. Newton learned his dispensers met all state regulations. The inspection report indicated his meters were over-dispensing at an average of plus 3 cubic inches per five gallons, well within the government allowance of plus or minus 6 cubic inches. The inspection and report assured Mr. Newton his dispensers are compliant and operating efficiently.

But are they ?

Mr. Newton's store sells on average 80,000 gallons of gasoline per month.

What does the over-dispensing of 3 cubic inches per 5 gallons of gasoline sold mean to Mr. Newton's bottom line?

Mr. Newton's loss is 207 gallons from over-dispensing. A wholesale cost of $2.10 per gallon created a $434.70 monthly loss for his store.

MR. NEWTON IS NOT THE ONLY ONE EXPERIENCING A LOSS

Local, state and federal gas taxes were also not collected on the 207 gallons lost to "acceptable" tolerances. A gas tax average of 45 cents created a $93.15 shortfall in tax revenue for the Highway Trust Fund.

The Big Picture

Currently, there are 163,350* motor fuel resellers in the United States operating in the same allowable tolerances as Mr. Newton's store. Below are losses incurred by all resellers whose motor fuel meters are over-dispensing at "acceptable" tolerances of 3 cubic inches per five gallons dispensed. Also included are the tax dollars not collected for the Highway Trust Fund.

★ Motor Fuel Resellers

- Monthly Loss = $71, 008, 245
- Annual Loss = **$852, 098, 940**

★ Local, State, and Federal Governments

- Monthly Loss = $15,216,052
- Annual Loss = **$182,592,630**

*Source: National Petroleum News - 2008

The Problem

1. Current motor fuel meter allowable tolerances of inaccuracy are antequated. They are creating significant losses that affect consumers, business owners and the local, state and federal tax revenues our country needs to maintain and improve our infrastructure.

2. Motor fuel retailers lack the knowledge to manage meters to meet compliance but are held accountable for meter accuracy. Resellers have adopted an operational standard of relying on state inspections to stay compliant. This allows for a continued loss of motor fuel by meter drift. Meters are not re-calibrated until an inspection finds them to be outside of allowable tolerances.

3. Motor fuel retailers have no workable knowledge to ensure service agencies are accountable in providing accurate calibrations. Also, the current allowable tolerances allow service technicians to legally calibrate meters to settings that create losses to consumers, retailers and the Highway Trust Fund.

4. Budget shortfalls have reduced our states' ability to inspect motor fuel meters within the time period required by law. This failure of inspections is compounding the losses by allowing meters to be operating outside of federally mandated tolerances.

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The Solution

1. Revise motor fuel meter tolerances of inaccuracy. This will foster a more efficient utilization of our country's largest energy resource and inject billions of dollars back into our economy.
2. Implement New Pro Consulting's Motor Fuel Management Program to empower motor fuel resellers with the tools and knowledge to manage all aspects of motor fuel meters and to eliminate the problems and losses created by meter drift.
3. Adopt audited inspections of motor fuel meters by the Weights & Measures Department of each state. Inspections can be performed by audits, spot inspections, and focus on low grade meters, which are currently dispensing 61.4 percent of all fuel sold today.
4. Require all retail motor fuel resellers to report the status of their motor fuel meters on a bi-annual basis to their respective state's Department of Agriculture – Division of Weights & Measures.

Results

The Highway Trust Fund

1. Collectively, Local, State and Federal gas tax collections will increase $165 million to $330 million annually at the current 45 cents per gallon tax average.*

   (Note: Diesel tax avg. of 24.4 cents not included)

2. Federal gas tax collections alone will increase $68 million to $130 million annually at the current 18.4 cents per gallon tax average.*

   (Note: Diesel tax avg. 24.4 cents not included)

3. More revenue for infrastructure projects and jobs.

*Based on US Consumption of 390 million gallons avg. per day
Source: US Energy Information Administration

Note: All gallons accounting for small capacity tolerances of accuracy. Large capacity tolerance has not included.

24

Results

Small Business- The Motor Fuel Reseller

4. Retail motor fuel resellers will recover current meter drift losses from $740 million to $1.5 billion annually.*

5. Increased fuel profit margins will generate billions of revenue back into local communities and create jobs.

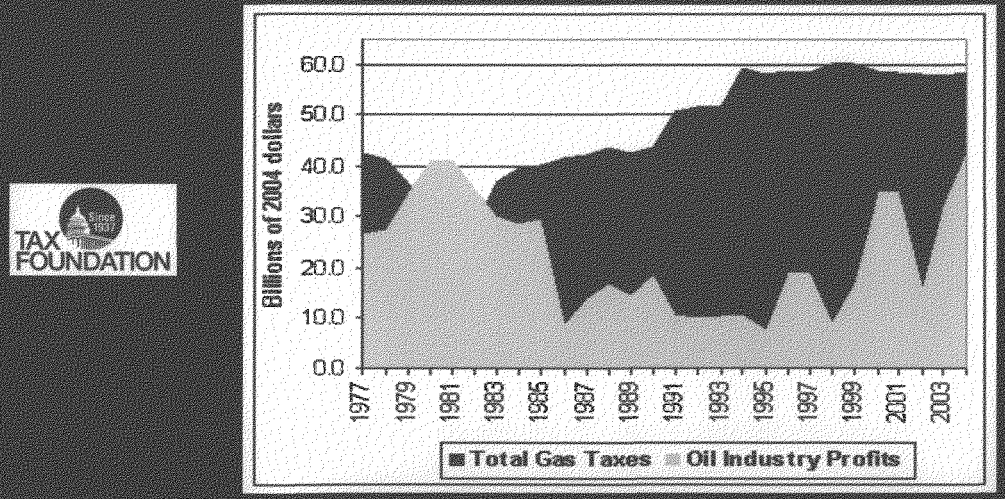
*Based on US Consumption of 390 million gallons avg. per day.
Source US Energy Information Administration

Note: All gallons accounting for small capacity tolerances of inaccuracy. Large capacity tolerance has not included.

Common Myths of Motor Fuel Meters

1. Current tolerances of inaccuracy are very small and do not create any significant losses.
2. Allowing meters to over-dispense and under-dispense balance out to equal values.
3. Meters are not predictable.
4. Meter accuracy cannot be managed.
5. Meters cannot be calibrated to absolute zero.
6. Meters that are over-dispensing only hurt BIG OIL companies.

Local, state and federal governments profit more from gasoline sales than the entire U.S. oil industry. Conversely, they incur greater losses created by over-dispensing motor fuel meters. Between 1977 and 2004, the oil industry's domestic profits totaled $643 billion, after adjusting for inflation. In contrast, governments at all levels collected $1.34 trillion in gas tax after adjusting for inflation over the same period.



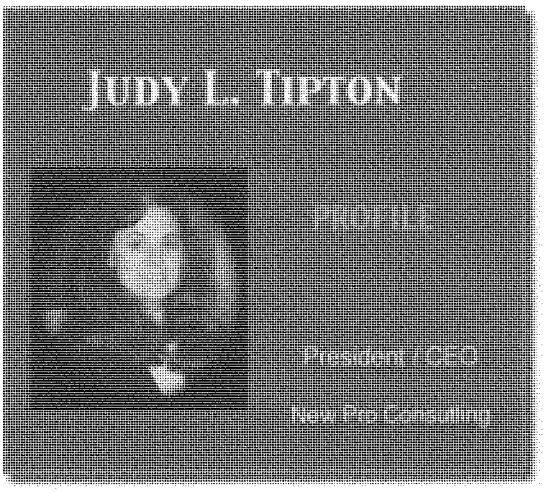
TAX FOUNDATION

Empower Small Business...

...ENRICH OUR NATION

"A reseller who has the skills to account for every gallon sold and increase their own profit, will ultimately secure the collection of all gas taxes allocated to the Highway Trust Fund."

- Judy L Tipton, CEO New Pro Consulting



Judy has over 12 years of experience and working knowledge of the motor fuel reselling and dispensing industry. Her work experience includes being a registered service technician, in which she has tested and calibrated over 18,000 meters in 28 states.

Judy has also held the position of National Sales Manager of the nation's leader in motor fuel meter testing and calibration services, which as a company tested and calibrated over 50,000 meters annually. Her clients include Murphy Oil (Wal-Mart Fuel Stores), Kroger Petroleum, RaceTrac Petroleum, Holiday Station Stores, Love's Truck Stop's, and Speedway SuperAmerica.

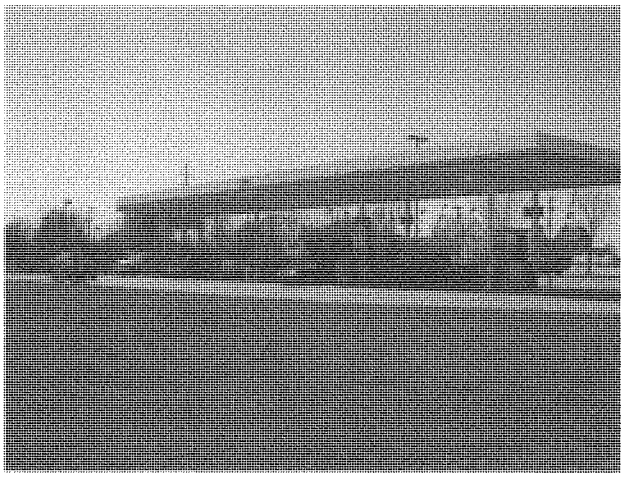
Judy has worked closely with local motor fuel resellers, state inspectors, and Fortune 500 companies in the motor fuel industry. She was also instrumental in the facilitation of the first allowance for independent contractor service agents to conduct meter testing and adjustments in the state of Colorado.

Judy holds a United States Patent, is an avid bass angler, and lives on her family farm in Christianburg, Kentucky.

Motor Fuel Inspections

In our proposal we addressed the significant losses of inaccurate meters incurred within the government allowable tolerances. In the following newspaper articles, you will read the reports and comments from several state's inspectors who only view a meter inaccuracy as a meter operating outside of the established tolerances, and is creating a shortage to the consumer. Also, you will learn that inspector's believe that their only duty is to protect the consumer and not "Big Oil". They are knowledgable that meters generally drift to the consumers advantage, but they are unaware that over dispensing meters short change our nation's infrastructure resources, our local communities, and small business owners, who pay local and state taxes, as well as hire employees.

In summary, motor fuel meters operating at any tolerance other than absolute zero hurts consumers, small business, and our nation.



Gas Pump Complaints Up 65 Percent But State Inspectors Find That Consumers Actually Receive Extra Fuel

Posted on: Sunday, 17 August 2008, 18:00 CDT

By JAKE ARMSTRONG

ATLANTA - The number of consumer complaints about getting ripped off by inaccurate or fraudulent gas pumps has risen along with fuel prices.

Calls from consumers reporting problems at gas stations jumped to 1,053 in the first five months of this year, up 65 percent from the same period in 2007, according to the Georgia Department of Agriculture, which inspects and certifies gas pumps for accurate calibration and dispensing.

Complaints run the gamut, from allegations that the gas has been watered down or is the wrong octane to complaints about being shorted at the pump.

But of all the complaints lodged with the department - 1,415 in 2007 - fuel and measures inspectors found that only 5 percent were valid, and 70 percent of inspections continue to reveal that pumps are giving customers more than they paid for, according to spokesman Yao Seidu.

One of the complaints resulted in the closure of all three Cisco stores along Interstate 95 in Camden County in February and resulted in a Georgia Bureau of Investigation probe. State inspectors found that pumps at Cisco Travel Plazas were dispensing a quart less for every five gallons the pump gauges indicated.

After being closed for months after the owner failed to pay half of a $500,000 penalty, the stations are open under new ownership.

Ethanol may be behind some customers' complaints about getting less gas than they paid for, said Jim Tudor, president of the Georgia Association of Convenience Stores, a trade group representing about 2,200 stores.

Gasoline containing a 10 percent blend of ethanol gives roughly 1.5 percent to 3 percent less fuel efficiency than non-blended fuel, according to several sources.

With high gas prices turning attention to odometers and fuel gauges, motorists may be noticing the diminished miles per gallon, especially as more stations have begun using ethanol blends in the past year, Tudor said.

"Most consumers don't realize you get less gas mileage with an ethanol product," he said.

Oil companies are under a federal mandate to add ethanol to gasoline. Nearly half of the gas sold in the nation contains ethanol, according to the American Coalition for Ethanol.

Some motorists, like Bill Carey of Waynesboro, take matters into their own hands.

Carey, 39, said he uses a calculator to check whether the pump gave him what it says it does.

"It's pretty much honest," Carey said.

He said he was not aware ethanol-blended gasoline reduces fuel efficiency.

The Department of Agriculture's 24 fuel inspectors oversee 141,659 pumps at 12,279 stations. Each station is inspected once every 18 months, but complaints trigger an automatic inspection.

Inspectors allow pumps a 3.3-ounce margin of error in a five- gallon sale. The station gets a written violation and three days to correct the problem if the calibration is off. Pumps are shut down if they are 7.75 ounces off.jake.armstrong@morris.com, (404)

589- 8424This report contains material from Times-Union reporter Gordon JacksonIF YOU'RE SHORTED AT THE STATIONHow to report a problem with a gas pump:- Write down the station's name and address- Record the number of the pump- Call (800) 282-5852Source: Georgia Department of Agriculture

(c) 2008 Florida Times Union. Provided by ProQuest LLC. All rights Reserved.

Is Your Gas Pump Ripping You Off?
WASHINGTON, Aug. 21, 2008

(CBS) This **CBS News** investigation started with a simple question: When you fill up, are you getting every drop of gas you pay for?

It's up to each state to make sure you're not getting ripped off at the pump. To see if you are, **CBS News chief investigative correspondent Armen Keteyian** and the investigative team turned to three reporters at CBS stations to see what they could find.

Mark Greenblatt of KHOU in Houston reports that for the first time ever, the state of Texas is suing a company that runs a chain of gas stations - accusing it of deliberately shorting consumers. The company denies any wrongdoing, but they are not alone. Last year the state found nearly 2,000 pumps at other gas stations that were cheating drivers.

The industry says about 90 percent of pumps pass inspection, and some even deliver a bit more than you pay for.

But a two-month **CBS News** investigation raises serious questions about whether states even know if drivers are being cheated. **CBS News** uncovered huge gaps in how pumps are inspected nationwide, including:

- Inspection standards that vary wildly from state to state.
- A surprising lack of inspectors - only 600 or so nationwide.

As Frank Vascellaro from WCCO-TV in Minneapolis reports, Minnesota doesn't inspect gas pumps annually. There aren't enough inspectors to do it. Of the pumps they were able to inspect this year, 11 percent had problems. The state says stations have to fix them, but only a quarter are ever reinspected. And even though the state *can* charge operators ripping you off with a crime, that's never happened in Minnesota.

Overall, the investigation uncovered a pattern of inspection that was, literally, all over the map.

Michigan, for example, inspects only after complaints. New Hampshire and Arkansas allow gas stations to hire their own testers, while Tennessee and Florida rely on "statistical sampling."

"Some states are doing very well, others are struggling," said Henry Oppermann, the former head of the Department of Commerce division that sets guidelines for state inspections. "When the inspection period would get beyond, let's say, a year and a half, I think that's really going beyond what regulatory oversight should be."

In fact, **CBS News** found 17 states allow pumps to go more than a year and a half without inspection.

Among the worst: Arizona, at every three years. Maine's inspections are up to every four years. Same with Texas. One pump **CBS News** found in Fort Worth, Texas, was last inspected in 2003, when gas was $1.56 a gallon.

Speaking with Oppermann, **Keteyian** said: "I gotta tell you something, I don't have a great deal of confidence right now ... that I am actually getting what I am paying for."

"When there's a lack of oversight, there's a potential - a greater potential for abuse," Oppermann said.

And even when pumps are regularly inspected, that's no guarantee.

Anna Werner at **KPIX in San Francisco** found that in California, 94 percent of pumps pass inspection. But consumers can still be cheated. That's because pumps can pass even when they dispense a little less than what the pump says. It's a margin of error the law allows.

So a high-volume station that routinely sells a little less than a gallon could rake in around $50,000 a year extra - for gas you never get.

"Shame on them!" one driver said. "That's all I can say, shame on them."

Is it time for Congress to look at this as a national issue?

"It would be beneficial to have a national coordination of efforts," Oppermann said.

Not likely. When **CBS News** tried to find out the last time Congress looked into the problem, but came up empty. Fact is: it never has.

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Source: South Florida Sun-Sentinel.com

34 percent of area gas stations fail pump tests in last three years

34 percent of S. Florida gas stations fail pump accuracy tests in past three years

By Mc Nelly Torres | South Florida Sun-Sentinel
October 21, 2007

When South Florida drivers buy gasoline, they trust they are getting what they pay for at the pump. But that's not always the case.

Some gas pumps break down, shortchanging consumers. Others malfunction in ways that give customers more than they pay for. And in some cases, experts and state regulators say gas pumps are deliberately altered.

In South Florida, 34 percent of the gas stations inspected in the past three years had at least one gas pump that failed accuracy tests used to determine if the devices are giving consumers the correct amount of gas they pay for, a South Florida Sun-Sentinel analysis foundInspection time Photo

More often, pumps failed in ways that could benefit consumers. But almost as often, dispensers failed in ways that could cheat consumers — from a few cents per fill up to several dollars. With South Florida gas prices higher than the national average, even small sums add up. The average vehicle consumes 550 gallons of gasoline annually, U.S. Department of Transportation statistics show.

The Sun-Sentinel analyzed state inspection reports from 2004 to 2006. The analysis found 580 of more than 2,500 stations in South Florida had at least one pump dispensing more gas than customers paid to purchase, while 477 provided less fuel than they should.

"If you go to the grocery store and buy a gallon of milk, you expect a gallon of milk," said Jason Toews, co-founder of Gasbuddy.com, a consumer advocacy site that tracks gas prices. "The same goes for gasoline."

It's unclear if Florida's pump failure rate is higher or lower than in other states. In 2003, a national survey by the National Conference on Weights and Measures, found a 6 percent failure rate on gas dispensers tested in 2002. South Florida's failure rate in recent years mirrors the nation.

Jim Smith, president of the Florida Petroleum Marketers and Convenience Store Association, said most gas station owners don't purposely shortchange consumers, but some members have reported others for cheating consumers. "We have a bad reputation as it is right now because of the gas prices," Smith said. "You don't want the consumer thinking they've been cheated every time they buy gas."

State inspection records indicate at least 173 South Florida gas stations failed more than 10 tests within the past three years. Those with multiple failures included well-known industry names and independently owned stations alike. Most were in Miami-Dade County, which has more gas stations than Broward and Palm Beach counties. Stations with the highest number of repeat failures had pumps that could both shortchange and benefit consumers, state inspectors found. Among them:

Old Dixie Texaco in Homestead topped the South Florida list, failing 68 maintenance tests — all but four for malfunctions that would shortchange consumers.

Blue Heron Amoco/BP at 3691 W. Blue Heron Blvd. in Riviera Beach had the most failures in

Palm Beach County, failing 38 tests — most for providing more gas than consumers would purchase, but also for shortchanging customers in five cases. Gas One at 4525 W. Atlantic Ave. in Delray Beach failed 37 tests — all but three for giving away more gas than customers would purchase.

Owners and managers of Old Dixie Texaco and Blue Heron Amoco declined comment. Bob Schonger, manager of Gas One, said large, busy stations tend to have more devices malfunction because they're used more frequently than low-volume stations.

"We give people a good price," Schonger said. "If anything, we are giving away gas."

In Broward, West Oakland Park Mobil at 5998 W. Oakland Park Blvd. in Sunrise failed 28 tests — all but six for providing less gas than consumers would pay for. Moe Rahman, the station's franchise owner, said the company has zero tolerance for equipment failure and problems are corrected soon after state inspectors note deficiencies.

Tamarac Shell at 5001 N. State Road 7 in Tamarac failed 21 tests — all but four for malfunctions that would shortchange customers. Tamarac Shell representatives declined comment.

State regulations don't require inspectors to issue fines for pump failures, even to repeat offenders. Officials say the priority is to fix problems.

"Mechanical devices break down over time and we have to take that into account," said Matthew Curran, head of the state Bureau of Petroleum Inspection. "And that's why we go back and check these facilities so we won't overpenalize them."

Devices that shortchange customers are taken out of service until they are fixed and reinspected. Pumps that err in consumers' favor are not shut down.

"It is difficult to tell when a pump is cheating you," said Judy Dugan, founder and research director for Oilwatchdog.org, a nonprofit consumer advocacy group based in Santa Monica, Calif. "But the key issue here is does anybody [gas station owners] ever pay a price for cheating?"

Steve Hadder, a field administrator with the Department of Agriculture and Consumer Services Bureau of Petroleum Inspection, said inspections are unannounced and conducted on every Florida gas station at least every 12 to 18 months. Inspectors also perform undercover investigations of repeat offenders or as a result of consumer calls. A gas station found tampering with a seal to shortchange consumers could be charged with intent to defraud consumers, a misdemeanor, which state officials said is rare, Hadder said.More articles

Copyright © 2007, *South Florida Sun-Sentinel*

Dispenser Inaccuracies: No Cause for Panic

September 18, 2006

CHARLESTON, W.Va. – Although rare, mechanical problems at the fuel dispenser can throw off gasoline pricing by as much as 7.8 cents on a $2.99 per gallon purchase of gasoline, reports the *Charleston Daily Mail*.

According to John Junkins, director of West Virginia's office of weights and measures, each year mechanical problems throw a wrench in about 5 percent of the state's 3,000 gasoline pumps. He told the newspaper that his estimate is "pretty consistent," but says the problem is not rampant and that retailers make routine checks to correct inaccuracies and oftentimes issue refunds when errors occur.

Junkins adds that mal-calibrated dispensers can also show less fuel than what is actually going out. "Just as often, it's not shorting the consumer, it's shorting the seller too," he told the newspaper. "It's kind of a push-shove thing."

Meanwhile, the older analog dispensers can be inaccurate "just as much as the digital ones," according to Junkins, adding that dispensers at the busier retail locations tend to have the most trouble.

"The more that a station pumps gallon-wise, the more wear you're going to have," Junkins told the newspaper. "The big producers are more apt to be checking their stations on a regular basis."

So, if a consumer finds that they have been overcharged, Junkins notes that there is probably "nothing nefarious going on" and that state retailers have a history "of being honest."

"Anything mechanical has a tendency to break.... There's no intent there. It's just a mechanical problem," Junkins told the newspaper, noting that he could not recall the last time a retailer in the state "was caught cheating customers."

Performance Audit

Retail Fuel Inspection Activities
Georgia Department of Agriculture

Russell W. Hinton
State Auditor

Performance Audit Operations Division — November 2005
Georgia Department of Audits and Accounts — Report 05-05

Executive summary:
Improvements are needed to enable the Department to provide better consumer protection at a lower cost.

Our audit found that the Department's inspection activities provide some degree of consumer protection regarding fuel pump accuracy and fuel quality; however, as described below, action is needed to make the Department's operations more effective and efficient.

To be more effective:

- More effort should be devoted to testing gasoline for correct labeling of its octane rating.
- Action should be taken to ensure that consumers are afforded the same level of protection statewide.
- Quality control procedures are needed to ensure that inspection activities are performed properly.
- Better controls and procedures are needed to help identify and prevent tampering with fuel pumps.
- Improved management information systems are needed.

To be more efficient:

- Guidelines for inspection frequency incorporating a "risk-based" approach need to be developed.
- Up-to-date productivity standards for inspectors need to be established and enforced.
- Steps should be taken to maximize the time inspectors are actually on-site conducting inspections.
- Consideration should be given to providing all inspectors with specialized trucks to increase their productivity.

The audit team estimated that with improved efficiency, all stations could be inspected once a year with 2 to 5 fewer personnel, resulting in annual savings of $58,000 to $145,000.

Program Purpose

The Retail Fuel Inspection Activities of the Georgia Department of Agriculture seek to protect consumers by ensuring that fuel pumps at retail fuel stations accurately display the quantity of fuel dispensed and that the fuel meets quality standards. These fuel inspection and testing activities are performed by the Department's Fuel and Measures Section.

Background

Motor fuel laws were originally enacted in Georgia in 1927. Since 1972, the Department of Agriculture has been responsible for testing fuel pumps and fuel quality. The Department's fuel inspection activities are primarily based on standards established by the Weights and Measures Division of the National Institute of Standards and Technology

(NIST), a unit of the U.S. Department of Commerce. In addition, Title 15 of the U.S. Code, "Commerce and Trade," governs the marketing and distribution of petroleum products in the United States. Information compiled by the National Conference of Weights and Measures indicates that as of September 2003, 43 states (including Georgia) had a Uniform Engine Fuel Law in force and 42 (including Georgia) had established fuel regulations.

Retail Fuel Inspection Activities

The Department performs fuel pump accuracy tests at retail fuel stations throughout the state, conducts quality tests on fuel samples at a fuel laboratory, and responds to complaints received from consumers. These inspection activities are performed by fuel inspectors and personnel at the fuel laboratory as summarized in **Exhibit 1** below.

Exhibit 1
Retail Fuel Inspection Activities

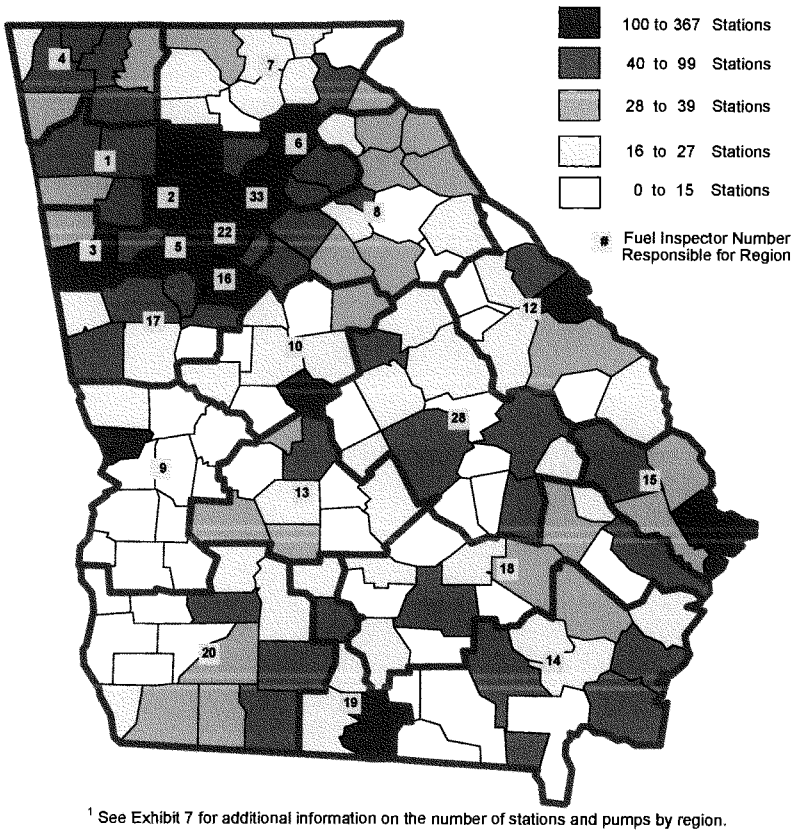
	Retail Fuel Inspections (22 Inspectors)	Fuel Laboratory Testing (4 Technicians)
Pump Accuracy	• Perform on-site fuel dispenser accuracy tests and issue written violations and "stop sale" orders as necessary.	• Calibrate fuel quantity testing equipment
Fuel Quality	• Perform visual inspection of fuel on-site for the presence of water and sediments • Issue "stop sale" orders for quality violations found during on-site visual inspections • Collect and submit fuel samples from retail fuel stations for quality testing by the fuel lab	• Perform laboratory tests on fuel sample quality (e.g., octane, sulfur) and issue "stop sale" orders for identified violations
Complaints	• Inspect retail fuel stations in response to complaints and collect samples for laboratory testing as necessary	• Perform laboratory tests on fuel samples in response to complaints

Source: Department Records, Interviews

Pump Accuracy Inspections

The Department has divided the state into 22 inspection regions, each with an assigned retail fuel inspector. A map showing the inspection regions and the number of fuel stations in each county is provided in **Exhibit 2**.

Exhibit 2
Retail Fuel Inspector Regions[1]
As of February 2005



[1] See Exhibit 7 for additional information on the number of stations and pumps by region.
Source: Agency Records

As of February 2005, the Department's retail fuel inspectors were responsible for inspecting 131,466 fuel pumps at 6,861 retail fuel stations statewide. Since 1976, the number of fuel pumps has almost tripled while retail fuel outlets have consolidated, with the number decreasing by approximately 37%. Most fuel stations and pumps are concentrated in the metro-Atlanta area and in other population centers such as Columbus, Macon, Valdosta, Augusta, and Savannah.

Retail fuel pump inspections consist of verifying that the station's pumps are operating properly, testing the accuracy of the station's pumps, ensuring that pricing is advertised correctly, and ensuring that the station's underground storage tanks are free from water and contaminates. Department regulations are primarily based on the standards set forth by NIST Handbook 44, which describes the specifications, tolerances, and other technical requirements for fuel dispensers. While the frequency of inspections is not mandated by law, the Department's written performance expectation is to inspect pumps every six months. The Department also indicated in its response to this report that it intends to conduct more than two inspections per year in rural areas and fewer inspections in urban areas that are thought to have newer devices and more servicing capacity. Based on October 2004 activity, the audit team estimated that approximately 135,000 pump accuracy inspections are performed annually.

Fuel pump accuracy inspections involve pumping five gallons of fuel into a standardized container with a five-gallon capacity to identify if more or less fuel than the amount indicated on the pump was actually delivered. The department uses three types of test measure units as shown in **Exhibit 3**.

Exhibit 3
Types of Test Measure Units Used For Pump Accuracy Inspections

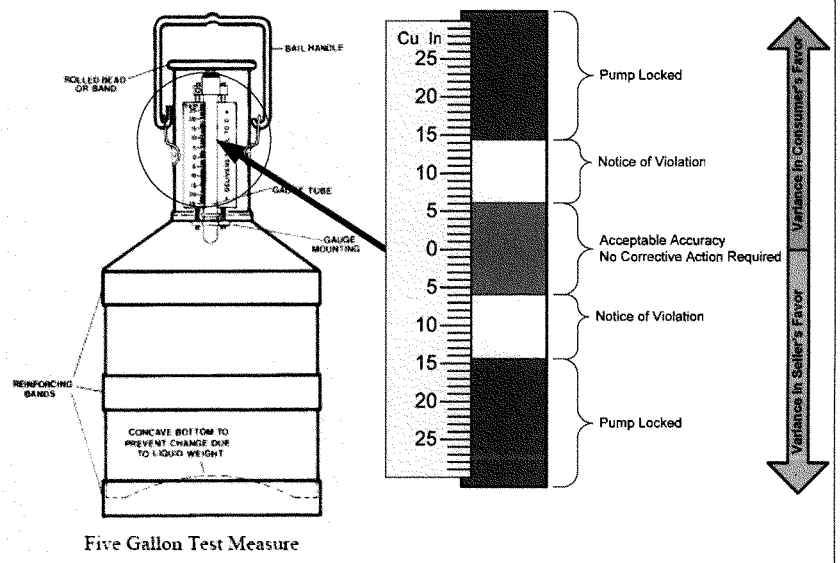
Hand-held Units:	Slide-In Units:	High-Speed Units:
Five-gallon standardized tanks that are manually emptied back into storage tanks after each test. (Used by 5 Inspectors as of 10/04)	Pick-up trucks with test units mounted in the cargo bed. 60-gallon holding tanks for each grade of fuel (Regular, Mid-grade, and Premium) allow up to 36 tests to be performed before fuel is emptied back into storage tanks by a re-fill hose. (Used by 12 Inspectors as of 10/04)	Custom trucks with integrated test units. 100- gallon holding tanks for each grade of fuel (Regular, Mid-grade, and Premium) allow up to 60 tests to be performed before fuel is emptied back into storage tanks by a re-fill hose. (Used by 5 Inspectors as of 10/04)

Source: Agency Records and Photographs by Department of Audits.

Retail fuel pumps may be out of tolerance in either the seller's favor or in the consumer's favor. If a pump delivers more fuel than is registered on its display, it is out of tolerance in the consumer's favor. Conversely, a pump that delivers less fuel than is registered on its display is out of tolerance in the seller's favor. As illustrated in **Exhibit 4** the "maintenance tolerance" standard for most retail pumps provides that a violation occurs if

the dispenser reading varies by more than six cubic inches from the actual for a five-gallon test. If the dispenser is inaccurate by more than 14.5 cubic inches, the dispenser must be immediately taken out of service until it has been repaired and retested (in addition to the written violation that is issued). Additionally, if more than 80% of the pumps at a facility are giving short measure (in the seller's favor) of minus four cubic inches or more, a "predominance" problem is considered to exist which requires locking all the pumps at the facility until the pumps are recalibrated.

Exhibit 4
Maintenance Tolerance Levels for a Standard Five-Gallon Test Unit



Five Gallon Test Measure

Source: NIST Retail Motor-Fuel Dispensers Inspector's Manual

Departmental procedures also require that fuel pumps must be able to dispense fuel consistently (referred to as "repeatability"). Under normal working conditions, two back-to-back accuracy tests at the same flow rate may differ by no more than two cubic inches. Repeatability tests differing by three or more cubic inches require a violation to be issued.

Impact On Consumers

A pump that tests -14.5 cubic inches (in the seller's favor) will charge consumers for 14.5 cubic inches of fuel they do not receive when they pump five gallons. Since 14.5 cubic inches is equivalent to 8 fluid ounces, or 1/16th of a gallon, pumping 10 gallons through this pump results in overcharging consumers for 16 ounces, or 1/8th of a gallon. For fuel priced at $2 per gallon, consumers would overpay by 25 cents (1.25%) for every 10 gallons pumped.

Following the issuance of a violation, inspectors normally require that corrections be made within three days and conduct a re-inspection to verify corrective action. During the re-inspection, the inspector ensures that the station has corrected all problems identified during the initial, or "routine," inspection, and will re-certify pumps that pass the re-inspection accuracy tests. The "acceptance tolerance" used for the re-inspection tests is twice as strict as the "maintenance tolerance" (or three cubic inches for a five-gallon sample).

Inspectors may also issue violations for other problems, such as leaking nozzles, broken display screens, or for pumps that do not reset to zero after each transaction. Equipment problems such as these may be hazardous; therefore, procedures require these pumps be taken out of service until the problem is repaired. Based on October 2004 activity, the audit team estimated that the Department identifies about 4,000 accuracy violations annually. The Department did not impose any fines related to pump accuracy problems in fiscal year 2004.

Decal That Is Affixed To Retail Pumps During Inspections

After inspecting a fuel pump, inspectors affix an "Approved and Sealed" decal to the equipment indicating the month and year of the inspection. The decal also includes identifying information about the station and the device, as well as the Department telephone number for consumer complaints.

Fuel Quality Inspections and Testing

Department regulations require that motor fuel sold in Georgia meet specific quality standards. To ensure that fuel quality standards are met, inspectors collect fuel product samples in quart-size containers from stations in their territories for analysis at the State Fuel Oil Laboratory in Forest Park, Georgia. Samples are delivered to the laboratory either directly by the inspectors or by a Department courier. Currently, the State Oil Chemist, who directs operations of the

Laboratory, requires inspectors to collect an average of 18 fuel samples per week. Although state law does not require stations to undergo fuel testing with any specified frequency, the Lab reported that it has a system to monitor inspectors' attempts to test each station's fuel every 18 months. Tests are normally performed on each type of fuel dispensed at a station (all grades of gasoline, as well as diesel and kerosene). Department records indicated that the Lab tested 14,529 fuel samples from retail fuel stations during fiscal year 2004.

Inspectors also conduct visual inspections during on-site visits to ensure that water and sediments are not dispensed with the fuel. Since water and sediments are heavier than gasoline (and, therefore, sink to the bottom of storage tanks), pump mechanisms that draw fuel from the bottom of the storage tanks may also dispense water and sediment along with the fuel. Therefore, as part of the inspection, inspectors measure the amount of water at the bottom of the fuel storage tank. In addition, inspectors also visually inspect fuel during on-site testing for the presence of water and sediments.

Impact On Consumers

Contaminated fuel can cause poor engine performance, and in extreme situations, require expensive engine repairs. In addition, some engines (especially high-performance engines) may require higher octane fuel to prevent premature detonation, or "knocking." Premium or Supreme gasoline (typically 93 octane rating) costs approximately 20 cents more per gallon than regular gasoline (typically 87 octane). Therefore, selling lower octane gasoline as "premium" may not only result in poor engine performance but may also result in consumers being overcharged by approximately 20 cents per gallon, or $2.00 for every 10 gallons pumped.

Department regulations include eight requirements related to gasoline quality: octane rating, presence of water and other contaminates, volatility, sulfur content, lead content, oxidation stability, corrosion, and gum. If a sample fails a laboratory test related to fuel quality, the Department may issue a "stop sale" order to the station and direct the station to correct the problem. Examples of corrective actions include siphoning the water or sediment out of underground storage tanks or adding higher octane fuel to a storage tank to increase the overall octane rating of the fuel in the tank. The inspector will then visit the station to collect another sample for laboratory testing in order to verify that the problem has been corrected. If the tank has been replenished subsequent to the original inspection, the inspector may allow the station to continue selling the fuel while another sample undergoes testing.

The Laboratory reported 331 retail fuel quality violations for fiscal year 2004. During the year, the Department imposed one fine and collected $250 for fuel quality problems.

Complaints

Retail fuel inspectors are also responsible for responding to complaints about pump accuracy, fuel quality, or other potential violations at retail fuel stations in their territories. Consumers typically call the Department directly; however, the Governor's Office of Consumer Affairs may also forward complaints.

Complaints are usually forwarded to inspectors on the same day or the following inspection day (week days only), depending on the complaint priority. This priority is set by the Director of the Fuels and Measures Division or by the State Oil Chemist. If a complaint concerns pump accuracy, the inspector will test the fuel pumps to identify violations. Complaints concerning fuel quality require a sample to be collected and sent to the lab for analysis. Once lab tests are completed, the Laboratory normally sends an analysis report to the Fuels and Measures Office which forwards results to the complainant. The Laboratory may also issue a "stop sale" violation to the station.

The Department's log of complaints indicated that it received 1,274 complaints during calendar year 2004. The Department's written response for this audit stated that it received 895 complaints during fiscal year 2004 for which it issued 90 pump violations, 43 tank violations, 12 advertising violations, and 149 other violations.

Financial Information

The retail fuel inspection activities of the Department of Agriculture are not accounted for in a distinct budget unit. However, interviews with Department personnel and reviews of available expenditure reports indicated that the Department spent an estimated $1.3 million of state funds on retail fuel inspection activities in fiscal year 2004. **Exhibit 5** provides a summary of the Department's estimated expenditures related to retail fuel inspections.

Exhibit 5
Estimated Expenditures for Retail Fuel Inspection Activities
Fiscal Year 2004

	State Funds
Field Inspections [1]	$810,529
State Fuel Oil Laboratory [2]	336,218
Administration [3]	164,080
TOTAL	**$1,310,827**

[1] Includes costs of 22 inspectors and motor vehicle expenses
[2] Based on Lab Director estimate that approximately 80% of Lab activity was attributable to retail inspection activities
[3] Based on Fuel & Measures Director's estimate of the proportion of effort supporting retail fuel inspection activities.

Source: Department Expenditure Reports and Interviews with Department Personnel

State law prohibits the Department from charging any fee for fuel inspections. Information compiled by the Federal Highway Administration in January 2001 indicated that 18 states charged fees to fund motor fuel inspections, mostly on a per-gallon basis. In addition, 24 states charged a fee for registering retail fuel stations. The southeastern states identified as charging fees are shown in **Exhibit 6**.

Exhibit 6
Fees Charged By Southeastern States
As of January 2001

	Georgia	Alabama	Florida	North Carolina	South Carolina	Tennessee
Liquid Fuels Inspection Fee (per gallon)	None	$.02	$.00125	$.0025	$.0025	None
License/Registration Fee for Retail Dealers	None	$3.75 to $42.00 (per pump)	$5	$50	None	None

Source: Federal Highway Administration Survey Information

Objectives, Scope, and Methodology

The scope of this audit was limited to the retail fuel inspection activities of the Fuel and Measures Section of the Georgia Department of Agriculture. While this unit performs other types of activities, such as wholesale fuel inspections, inspections of other weighing and measuring devices, inspections of high speed pumps at truck stops (by wholesale fuel inspectors), and testing fuel for the Department of Natural Resources' Environmental Protection Division, these activities were not included in our audit.

There were two primary objectives for conducting the audit:

- To evaluate the Department's effectiveness in protecting consumers purchasing motor fuel from retail fuel stations in Georgia. This included fuel pump accuracy and fuel quality requirements and standards.
- To evaluate how efficiently the Department uses its retail fuel inspection resources. This included reviewing aspects of field inspector and fuel laboratory productivity.

The audit was conducted in accordance with generally accepted government auditing standards for performance audits. The audit methodology included interviews with Department personnel and reviews of records such as the Department's Agriculture Information Reporting System (AIRS), as well as records on complaints and enforcement actions. The audit focused on fiscal year 2004 and/or calendar year 2004 depending on the availability of the data. To gain a better understanding of fuel inspection activities,

the audit work also included a detailed analysis of activity data, reports, and documentation for the month of October 2004. Additional information was also obtained from other organizations including the National Institute of Standards and Technology (NIST), the Georgia State Fire Marshal's Office, and fuel inspection programs in seven other southeastern states (Arkansas, Florida, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee).

This report has been discussed with appropriate personnel in the Department of Agriculture. A draft copy was provided for their review and they were invited to provide a written response, including any areas in which they plan to take corrective action. Pertinent responses from the Department have been included in the report as appropriate.

Recommendations and Agency Responses

Summary Recommendation

The Department of Agriculture's Retail Fuel Inspection Activities provide some degree of consumer protection by periodically inspecting fuel pumps and testing fuel quality around the state; however, the Department needs to take action to make its operations more effective and efficient.

Periodic inspections of fuel pump accuracy identify pumps that inadvertently become miscalibrated over time and provide a deterrent effect to discourage sellers that might be contemplating tampering with their pumps to shortchange consumers. A 1990 report by the Government Accountability Office (GAO) found that up to 53% of fuel stations in states without fuel quality testing programs had octane mislabeling, with the average sample being mislabeled by 2.2 octane numbers (e.g., fuel advertised as 93 octane but is actually 90.8 octane). The GAO study noted that two states with newly instituted octane testing programs reduced their mislabeling rate from 22% to 1% and from 52% to 5.8% respectively. In Georgia the annual cost of the consumer protection provided by the Department's current retail fuel inspection activities is only about $0.23 per licensed motorist.

Our review found, however, that there is little overall planning or prioritizing of the Department's fuel inspection efforts and limited management oversight. As summarized below and as discussed in greater detail in the subsequent recommendations in this report, the Department needs to take action to become more effective at protecting consumers. In addition, the Department also needs to make improvements to maximize the productivity of personnel involved with its inspection activities.

Effectiveness

- The Department should revise its procedures to focus more effort on testing gasoline for correct labeling of its octane rating.
- Action should be taken to ensure that consumers throughout the state are afforded the same level of protection regarding fuel pump accuracy and fuel quality.
- Quality control procedures are needed to help ensure that inspection activities are being properly performed.
- The Department should strengthen its enforcement efforts through the consistent use of written violation reports and fines.

- The Department needs to enforce existing controls and develop new procedures to help identify and prevent tampering with fuel pumps.
- The Department needs to develop management information systems to better monitor and manage its retail fuel inspection activities.
- The Department needs to determine the fuel quality tests that the State Fuel Oil Laboratory should perform to provide sufficient consumer protection.

Efficiency

- The Department should implement procedural changes that would enable it to provide adequate consumer protection with fewer personnel.
- Action should be taken to establish formal guidelines regarding the frequency with which stations are inspected; the guidelines should incorporate a risk-based approach.
- The Department should establish and enforce up-to-date productivity standards regarding the number of pumps that should be inspected each day (or per hour).
- The Department should take steps to maximize the amount of time inspectors are actually on-site conducting inspections.
- Action should be taken to revise inspection procedures to make more effective use of inspector's time.
- Consideration should be given to providing all inspectors with specialized trucks to increase their productivity.

Ultimately, making improvements in the areas identified above should enable the Department to provide better consumer protection at a lower cost.

In its response to this report, the Department disagreed with the report's conclusion that there was "little overall planning or prioritizing of the Department's fuel inspection efforts and limited management oversight." The Department reported that its "planning, prioritizing, oversight and productivity are constantly ongoing." However, during discussions of the agency's response to the report, Department personnel acknowledged that management of the Unit's activities needed to be strengthened and indicated that corrective action would be taken.

Effectiveness

Recommendation No. 1

The Department should revise its procedures to focus more effort on testing gasoline for correct labeling of its octane rating.

Currently, more of the Department's inspection resources are devoted to testing the accuracy of fuel pumps than are devoted to testing fuel quality. Inspectors spend most of their time attempting to verify the accuracy of every pump in the state on a semi-annual basis. However, samples are not collected from every pump to test fuel quality. Inspectors typically only collect fuel quality samples one day a week and only attempt to obtain a sample of each type of fuel dispensed at a station every 18 months. An example of the disparity in the allocation of resources between these inspection functions is reflected in the fact that in October 2004, 10,705 retail pump accuracy inspections were conducted while only 813 retail fuel quality samples were tested.

The potential impact on consumers is significantly greater for fuel quality factors such as octane rating than for pump accuracy. As discussed on page 7, poor quality fuel could potentially damage a consumer's vehicle, and mislabeled octane could result in consumers being overcharged approximately $2.00 for every 10 gallons pumped. In contrast, as discussed on page 6, pumps that were miscalibrated in the seller's favor by the amount that would require taking the pump out of service would only result in consumers being overcharged $.25 for every 10 gallons pumped (at $2.00 per gallon).

The Department needs to devote a greater proportion of its resources to ensuring that the octane ratings posted for fuel sold around the state are accurate. Mid-grade fuel is typically mixed at the pump by combining fuel from "premium" and "regular" storage tanks; therefore, the fuel dispensed at each mid-grade pump would theoretically need to be tested to ensure the accuracy of the posted octane rating. Testing at each pump would also be needed to ensure that premium fuel is actually being dispensed by pumps labeled as dispensing premium fuel. Statistical sampling techniques could be utilized to determine the amount of sampling needed at pumps to provide better consumer protection.

It was also noted that other states are adopting use of portable octane testers to improve their octane testing process. We found that 31 states had purchased these portable testers, including Arkansas, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee. These testers provide inspectors with the ability to test octane at the same time pump accuracy is tested, which provides for much better coverage and eliminates the lag time resulting from having to transport samples to the lab in Forest Park. The

portable testers cost about $10,000 each and would require the use of some inspector time in the field to test samples; however, field tests could be used to screen samples which may reduce the number of samples that would need to be processed by the state lab.

The Department indicated in its response to this audit that it felt that this recommendation had "no merit." The Department noted that it thought it collected more samples per number of lab staff members and did more pump inspections than most states. The Department also noted that pumps could be out of tolerance to provide a greater impact than 20 cents per gallon. Finally, the Department listed several reasons why it thought the use of portable testers was not "statistically valid." Some of the identified reasons included: the equipment would need to be periodically recalibrated, the use of this equipment might decrease inspection efficiency, and significant additional manpower and funding would be needed.

Recommendation No. 2

Action should be taken to ensure that consumers throughout the state are afforded the same level of protection regarding fuel pump accuracy and fuel quality.

Currently, region workloads are not uniform and inspection frequency ranges from an average of 5.6 months up to 26.1 months. The Department does not prepare reports or analysis indicating inspection frequency for its stations; therefore, the audit team reviewed the time between inspections for the 738 stations that had routine fuel pump accuracy inspections in October 2004. The audit team also obtained information on the number of months since the last routine pump accuracy inspection, as of February 2005, for all 6,861 stations on the Department's list of active stations.

As shown in **Exhibit 7** on the following page, the region's workloads in terms of counties, square miles, stations, and pumps varies considerably. The resulting inspection frequency, as reflected by the average number of months between inspections and the average number of months since the last inspection also varies considerably. While stations in some regions are being inspected approximately every six months (on average), stations in other regions are being inspected every two years (on average). Since the frequency of inspections is not currently based on any risk factors or priority system, some regions are receiving considerably less consumer protection than other regions.

The Department should periodically evaluate region workloads and realign the regions to equalize workload. Implementation of this recommendation would help the Department ensure that stations are only inspected as often as necessary.

Exhibit 7
Retail Fuel Inspector Regions

Region	Number of Counties	Number of Square Miles	Number of Active Stations	Number of Pumps	Avg. Months Between Inspections[1]	Avg. Months Since Last Inspection[2]
1	5	2,021	388	7,389	9.7	13.5
2	1	340	282	7,898	15.5	13.4
3	3	980	229	4,767	11.0	12.3
4	7	2,086	321	5,978	7.5	7.1
5	1	529	367	8,906	24.6	21.8
6	4	1,124	299	6,510	8.6	8.0
7	11	3,099	257	4,198	6.7	5.7
8	14	4,140	449	8,072	12.8	16.1
9	12	3,818	198	3,292	5.6	4.5
10	9	2,776	311	5,113	8.6	6.5
12	10	3,871	309	5,451	9.7	8.3
13	9	3,211	267	3,978	10.0	6.6
14	11	6,001	320	5,021	5.9	4.8
15	4	2,041	310	5,736	7.5	5.9
16	2	465	279	7,174	26.1	21.8
17	7	2,269	299	5,361	19.8	11.8
18	13	5,154	287	3,634	5.6	3.8
19	5	1,778	240	4,290	6.0	6.6
20	14	5,773	393	5,326	5.9	4.8
22	2	399	358	9,352	11.8	8.6
28	14	5,596	373	4,288	12.7	10.2
33	1	433	325	9,732	19.2	17.4
TOTAL	**159**	**57,906**	**6,861**	**131,466**	**--**	**--**
Average	**7.2**	**2,632.1**	**311.9**	**5,985.7**	**9.36**	**10.31**

[1] Based on the 738 routine fuel pump inspections conducted in October 2004.
[2] Based on the time since last routine inspection for all 6,861 stations as of February 2005.
Sources: Agency Records, State Demographic Data

In its response to this report, the Department indicated that it felt that this recommendation was "vague and subjective." The Department felt it should be acknowledged that it periodically evaluates region workloads. It was also noted that the Department felt there were many factors impacting workload such as: the inspector's home location, the number of pumps per facility, variability of productivity between inspectors, and older equipment located in rural area which may require more frequent inspection. Finally, the Department noted that it was developing an electronic means of identifying the "relative associations necessary to capture significant information to improve the program."

Recommendation No. 3

The Department needs to implement quality control procedures to help ensure that inspection activities are being properly performed.

Our review of inspection documents and interviews with Department personnel found that there is little monitoring of inspection activities. There are no quality control procedures providing for re-inspection of pumps by supervisors or other inspectors (peer reviews) to verify the accuracy of inspector reviews and/or to monitor inspector performance.

An indication of inconsistencies in inspection activities is that the pump accuracy violation rates of the different regions in the state vary significantly. As shown in **Exhibit 8** (on the next page), three regions had no violations related to pump accuracy while at the other extreme, two regions had violation rates of 10.45% and 20.18% respectively. Because the Department does not monitor violation rates, information identifying the cause(s) of these differences was not available. However, two examples of inconsistencies in the Department's inspection activities that were identified during the audit are described below.

- Inspectors do not consistently re-test pumps. Inspection procedures require that all pump test results exceeding the acceptable tolerance limit (+/- 6 cubic inches under normal working conditions) are to be tested a second time to verify the initial test results. Inspection activity records for October 2004 show that of the 355 cases when tolerance levels were exceeded on an initial test, only 225 re-tests were conducted. Only 10 of the 21 inspectors with activity in the month always performed re-tests when initial tests exceeded tolerance limits.

- Inspectors do not consistently test pumps for "repeatability." Inspection procedures specify that pumps should provide consistent results and should be able to consistently repeat test results in subsequent tests under the same conditions. Interviews with inspectors found that inspectors do not routinely test for repeatability when the initial test is within tolerance limits. Our review of activity in October 2004 found that out of 10,368 pump accuracy tests conducted that were within tolerance levels, only 48 retests were conducted. Of the 48 re-tests, 9 (18.8%) exhibited a swing in results that indicated a repeatability problem. Only 11 of the 21 inspectors with activity in the month did any retests when initial tests were within tolerance limits.

Exhibit 8
Fuel Pump Accuracy Violation Rate
As Of October 2004

Region	Number Of Tests	Number of Violations	Violation Rate
3	165	0	0.00%
4	756	0	0.00%
7	500	0	0.00%
6	532	1	.19%
9	519	2	.39%
15	445	2	.45%
28	195	1	.51%
14	777	5	.64%
19	842	8	.95%
20	910	9	.99%
10	534	6	1.12%
13	536	15	2.80%
12	598	17	2.84%
33	304	9	2.96%
16	45	2	4.44%
18	680	31	4.56%
1	528	30	5.68%
2	537	40	7.45%
17	348	27	7.76%
22	622	65	10.45%
5	332	67	20.18%
8	0	0	NA[1]
TOTAL	10,705	337	3.15%

[1] The inspector position for Region 8 was vacant during the period of review.
Source: Audit Team Review of Department Records

Establishing a quality control process for their inspectors will help the Department better ensure that its inspection activities are being performed properly. The Department should also monitor the results of its inspection activities in order to help it identify ways to reduce the number of violations and thereby better protect consumers. The Department should take steps to ensure that all inspectors understand re-testing procedures and apply the procedures consistently. Re-tests should always be performed when an initial test is not within tolerance limits, and a sample of cases that are within tolerance limits should also be re-tested to ensure that the pumps meet repeatability standards.

In its response to this report, the Department noted that its supervisors periodically work with individual inspectors. It was also noted that inspectors also sometimes work in different areas due to vacations and that complaints about inspectors are "followed up" by supervisors. The response also indicated that the Department expected variability regarding pump violations. It was reported that the Department did monitor violation rates; however, follow-up was determined by "available administrative priorities." The Department stated that it felt "repeatability" testing was not required and questioned whether its inspectors were actually performing repeatability tests. The Department also

indicated it felt that "repeatability tests for no reason increases on-site inspection time, provides minimum benefit, and is difficult to document with the current paper system." The Department's response noted that a new electronic system it was developing should "improve the Program by reducing human error, and providing better, more detailed and faster documentation that can be supplemented by reviewing programs." Finally, the Department indicated that it felt a great improvement would occur if Georgia implemented a Service Registration Program (a program authorizing registered pump technicians to return defective equipment to service without the need for reinspection by Department personnel). However, it was also noted that implementation of such a Program would require legislative approval.

Recommendation No. 4

The Department should strengthen its enforcement efforts through the consistent use of written violation reports and fines.

Currently the use of written violation reports and fines is not being consistently applied by inspectors. Department procedures require inspectors to issue a written Violation Report for problems regarding pump accuracy, fuel quality, and other equipment or marketing violations. These notices document the type of violation(s) found and require that corrective measures be taken within a specified number of days. Georgia law also permits the Commissioner of the Department of Agriculture to levy penalties of up to $1,000 per violation against those who violate these regulations. Examples of inconsistent use of written violation reports and fines that were identified during the audit are described in the following paragraphs.

- **Pump Accuracy Inspections:** During October 2004 there were 337 pump accuracy inspections performed which identified violations of accuracy standards; however, only 221 (65.6%) of these had documentation that written violation reports had been issued. As shown in **Exhibit 9** on the following page, there were also significant differences between inspectors in the percentage of written violation reports issued. Of the 8 inspectors who had identified more than 10 accuracy problems, two prepared written violations reports for more than 90% of the identified violations. Conversely, two inspectors prepared written violation reports for less than 50% of the violations they identified, including one inspector who found 30 accuracy violations and did not prepare any written violation reports.

  In addition, we found that inspectors do not consistently write violation reports when repeatability problems are identified. Our review of October 2004 inspection records identified 114 cases in which the pumps failed the repeatability standard (primarily when the first test failed and a second test passed). However, only two written violation reports for repeatability problems were issued during

the month. In one case, for example, the first test found that the pump was off by -35 cubic inches while the second test was -3 cubic inches; however, no written violation report was issued.

Exhibit 9
Accuracy Problems and Written Violation Reports
October 2004

REGION	Accuracy Problems Identified	Violation Reports Written	% of Problems with Written Violation Reports
20	9	9	100.0%
10	6	6	100.0%
15	2	2	100.0%
16	2	2	100.0%
6	1	1	100.0%
2	40	39	97.5%
5	67	62	92.5%
33	9	7	77.8%
18	31	24	77.4%
19	8	6	75.0%
17	27	18	66.7%
13	15	10	66.7%
14	5	3	60.0%
12	17	10	58.8%
22	65	22	33.8%
1	30	0	0.0%
9	2	0	0.0%
28	1	0	0.0%
7	0	0	NA
8	0	0	NA
3	0	0	NA
4	0	0	NA
TOTAL	337	221	65.6%

Source: Department Records

- **Fuel Quality Tests:** During October 2004 there were 15 fuel quality problems identified by the Fuel Oil Laboratory. There was no documentation that any written violation reports had been issued. In the files for 11 of the cases there was some indication that the station had been called and a verbal "stop order" had been issued.
- **Fines:** As of August 2005, the last time fines were assessed against retail fuel stations was in 2003. A fine for $8,000 related to pump accuracy was eventually settled for $3,000 and a fine for $1,000 related to fuel quality was eventually settled for $250. Department management was not able to explain why fines were issued in these two cases while fines were not issued in other cases.

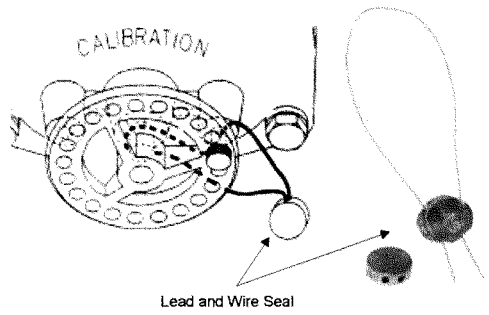
The Department should strengthen its enforcement actions by ensuring that inspectors are issuing written violation reports as required. Written violation reports should always be generated when repeatability problems are identified. The Department should also review its use of fines as an enforcement tool and develop formal criteria for when fines should be imposed.

The Department noted in its response to this audit that "fines required additional expenditures of manpower and was an option of the Commissioner." The Department noted that it felt that fines were "not an absolute for providing compliance and in some cases could cause non-compliance." It was noted that the Department needed additional information from the audit team to determine if problems with pump accuracy inspections indicated "a problem with the paper trail or SOP (Standard Operating Procedures) *not being followed." Regarding fuel quality testing, the Department reported that since typed reports take time to prepare, and time to review, and they are not timely, written reports are only done when requested. Finally, the Department noted that the new electronic reports it was developing will include internal and external comments from both inspectors and the lab.*

Recommendation No. 5

The Department needs to enforce controls requiring the use of lead and wire seals and also develop procedures for using "audit trail" reviews to help identify and prevent tampering with fuel pumps.

Use Of Lead And Wire Seal To Secure Fuel Pump Calibration Mechanism



Source: Retail Inspector Manual

Georgia law provides that inspectors should affix official "lead and wire" security seals to fuel pumps after they have verified the accuracy of the equipment. For more modern pumps, NIST standards also provide guidance to inspectors on how they should review the computerized "audit trail" for equipment indicating the last time a pump's computer was accessed and any adjustments made to the pump. By verifying the presence of seals or reviewing audit trails, inspectors can determine whether or not the flow rate of a fuel pump has been altered in an attempt to overcharge customers. It should be noted that the decal placed on pumps after they have been inspected specifically informs consumers that the pump has been "Approved and Sealed" (see page 6).

Our interviews and on-site observations found that inspectors do not place security seals on retail fuel pumps or examine equipment for the presence of security seals. Furthermore, there are no Department procedures on reviewing audit trail verifications for computerized fuel pumps. As a result, any person with access to the pumps, including station owners, station employees, or maintenance personnel, may alter the flow rate between on-site inspections.

The Department should ensure that all inspectors examine fuel pumps for the presence of the "lead and wire" seals during their pump accuracy inspections. The Department should also develop procedures for reviewing audit trails for computerized pumps.

The Department reported that it had discontinued using "lead and wire seals" for security seals due to environmental concerns. It was noted that its SOP (Standard Operating Procedure) *is not to routinely open up retail dispensers or review audit trails. The Department also noted that it did not feel it had the resources to examine pumps for seals and/or audit trails and that undercover testing would be a more efficient way to identify fraud. The Department added that it needed a couple of undercover (unmarked) trucks for this type of testing.*

Recommendation No. 6

The Department needs to develop management information systems to better monitor and manage its retail fuel inspection activities.

The Department's current management information systems are not sufficiently complete or accurate to be relied on for effectiveness monitoring and management decisions. Although the Department has the Agriculture Information Reporting System (AIRS), our review of October 2004 inspection activities and source documents found that important information about retail fuel inspections in AIRS was not readily available or was unreliable. Specific problems noted during our review of AIRS inspection activity data are summarized below:

- **Fuel pump accuracy data in AIRS is unreliable.** As shown in **Exhibit 10** on the following page, our review of inspection documents revealed a pump accuracy failure rate of 3.15% during October 2004. However, AIRS activity summary reports incorrectly indicated that the failure rate was 12.5% for October 2004. Reviews of the two inspection regions with the largest variance (Region 33 and Region 2) found that AIRS had duplicate entries for many pumps. Source documentation and one entry in AIRS indicated that a pump passed the inspection while the duplicate entry indicated that the pump failed the inspection. Department personnel indicated that they were aware that there were problems

with AIRS and were in the process of implementing a new data system called "WinWam."

Exhibit 10
Comparison of AIRS Data
to Audit Team Verification Reviews
October 2004

REGION	Violation Rate: Per Audit Team File Review	Violation Rate: Per AIRS	Variance
33	2.96%	48.78%	-45.82%
2	7.45%	33.93%	-26.48%
28	0.51%	11.05%	-10.54%
18	4.56%	13.95%	-9.39%
13	2.80%	11.78%	-8.98%
19	0.95%	9.63%	-8.68%
3	0.00%	8.28%	-8.28%
16	4.44%	12.50%	-8.06%
17	7.76%	15.04%	-7.28%
9	0.39%	6.79%	-6.40%
20	0.99%	7.30%	-6.31%
10	1.12%	7.07%	-5.95%
12	2.84%	8.20%	-5.36%
4	0.00%	5.27%	-5.27%
15	0.45%	5.30%	-4.85%
6	0.19%	4.51%	-4.32%
14	0.64%	4.86%	-4.22%
7	0.00%	3.74%	-3.74%
5	20.18%	23.37%	-3.19%
1	5.68%	7.66%	-1.98%
8[1]	0.00%	0.00%	0%
22	10.45%	9.42%	1.03%
TOTAL	**3.15%**	**12.55%**	**-9.40%**

[1] Inspector position vacant during month reviewed

Source: Department Records

- **Management information in the AIRS database is incomplete.** Important information on the details of fuel pump accuracy test results and fuel quality testing results are not entered into the AIRS database. Only summary test results for fuel pump accuracy inspections such as "approved" or "not approved" are entered into AIRS. Details of the severity of problems identified by the inspections are only maintained in paper files. Similarly, for fuel quality testing, only a "Pass" or "Fail" result is entered into AIRS. The reasons why a fuel sample failed are only documented in the lab's paper files. Finally, AIRS does not capture data about consumer complaints. Information collected from complainants is maintained in a database separate from AIRS.

The Department needs to ensure that its new WinWam data system will provide readily available and accurate inspection data that can be used to monitor its inspection activities.

In its response to this report the Department noted that it was working on a field inspection management system and a laboratory information management system. The Department indicated that it felt that most parts of its AIRS system worked as intended and AIRS was not designed to capture individual test data. Finally, the Department noted that its data system improvements had been planned and partially implemented prior to the audit.

Recommendation No. 7

The Department should determine the fuel quality tests that the State Fuel Oil Laboratory needs to perform to provide sufficient consumer protection.

Department regulations require that gasoline sold in Georgia meet eight quality standards (see **Exhibit 11** on the following page). The National Institute of Standards and Technology (NIST) recommends tests for six standards. However, as shown in **Exhibit 11**, our review of Fuel Lab testing activities during October 2004 found that "routine" sample tests were normally only performed for two of these quality standards (octane rating, and presence of water and other contaminates) and one part of a third standard (distillation part of the volatility standard). The State Oil Chemist indicated that the current capacity of the State Laboratory was not sufficient for complete testing to be performed on all samples.

The Department should identify and perform the fuel quality tests that are needed to protect consumers purchasing fuel in Georgia. If some of the fuel specifications required currently are no longer needed, the Department should update the regulations.

The Department's response to this report indicated that it felt it had determined the fuel quality tests needed within its allowable resources and it felt this recommendation needed to be removed from the report. It was noted that DOA rules and NIST only provide specifications and do not actually require testing. The Department also indicated that it did not feel it was necessary to test lead and oxygenate content since there should be no lead in current fuels or oxygenates in fuels in 2004. In addition, the Department thought the data range of one week was too small to conclude much. Finally, the Department indicated that it felt the primary tests it conducts provide the greatest degree of consumer protection, namely fuel cleanliness and lack of cross contamination.

Exhibit 11
Gasoline Quality Testing
As of October 2004

Quality Standards Test	Description		Tests Required by DOA Rules	Tests Recommended by NIST Handbook 130	Tests Conducted By Fuel Lab[1]
Octane Rating	Number used to indicate gasoline's antiknock performance in motor vehicle engines.		✔	✔	97%
Water and other Contaminates	Water makes a very undesirable fuel and sediment has a tendency to clog filters, carburetors and injectors.		✔	✔	99%
Volatility	Fuel's ability to change from liquid to vapor. Defines and controls starting, warm-up, acceleration, vapor lock, and fuel economy.	Distillation	✔	✔	99%
		Vapor Pressure	✔	✔	1%
Sulfur Content	Contributes to engine wear and increased atmospheric pollution.		✔	✔	1%
Lead Content	The Federal Clean Air Act prohibits the sale of leaded gasoline, except for certain aviation, marine, non-road, and racing applications.		✔	✔	0%
Oxidation Stability	Controls a fuel's tendency to contribute to induction system deposits and filter clogging and also determine the fuel's storage life.		✔		0%
Corrosion	The copper corrosion standard ensures that fuel will not create excessive corrosion in the vehicle fuel system.		✔		0%
Gum	Evaporation residue of fuel. Fuel with high gum content can cause induction-system deposits and sticking of intake valves.		✔		0%
Oxygenate Content	Oxygenated compounds are introduced to improve octane or reduce polluting effects upon combustion.			✔	0%

[1] Based on Audit Team review of the 172 routine samples tested by the Lab during seven days in October 2004.
Sources: NIST Handbook 130 , Department Records, and Audit Team reviews of Lab tests during seven days in October 2004.

Efficiency

Recommendation No. 1

The Department should implement procedural changes that would enable it to provide adequate consumer protection with fewer personnel.

Currently, the Division has 22 personnel responsible for inspecting approximately 131,500 fuel pumps at about 6,900 stations statewide. Our analysis, however, estimated that through improved efficiency, the Department could inspect all of the stations once a year with two to five fewer personnel resulting in an approximate annual savings of $58,000 to $145,000 (based on the salary and benefits of the lowest paid inspector and the average vehicle operating costs for inspectors). The specific actions that could be

taken to improve the Department's overall efficiency are briefly identified below and discussed in greater detail in other recommendations in this report.

- Equalize the workload among the regions as discussed on pages 14 and 15.
- Establish formal guidelines that incorporate a risk-based approach regarding the frequency with which the stations are inspected as discussed on pages 25 and 26.
- Establish and enforce up-to-date productivity standards as discussed on pages 27 and 28.
- Take steps to maximize the amount of time inspectors are actually on site conducting inspections as discussed on pages 28 - 30.
- Revise inspection procedures as discussed on page 31.
- Provide all inspectors with specialized trucks designed to increase their productivity as discussed on page 31 and 32.

In its response to this report, the Department indicated that it thought that some of the recommendations to improve efficiency would require additional manpower resources. The Department noted that reducing the number of inspectors would increase travel time and that annual inspections would probably be too infrequent.

Recommendation No. 2

Action should be taken to establish clear guidelines regarding the frequency with which stations are inspected; the guidelines should incorporate a risk-based approach.

Interviews with management personnel and reviews of inspection records found that the Department has no clear guidelines for how often inspections for pump accuracy and fuel quality should be conducted. Currently the only written document regarding inspection frequency is a "performance expectation" written in 1996 indicating the pumps should be inspected every six months. Although there are no written standards for fuel quality testing, the report generated to assist inspectors in scheduling their activities indicates that samples from retail fuel stations should be tested every 18 months. The Department has not conducted any analysis to determine an optimal schedule for inspections that would provide for sufficient consumer protection with minimal expenditure of resources.

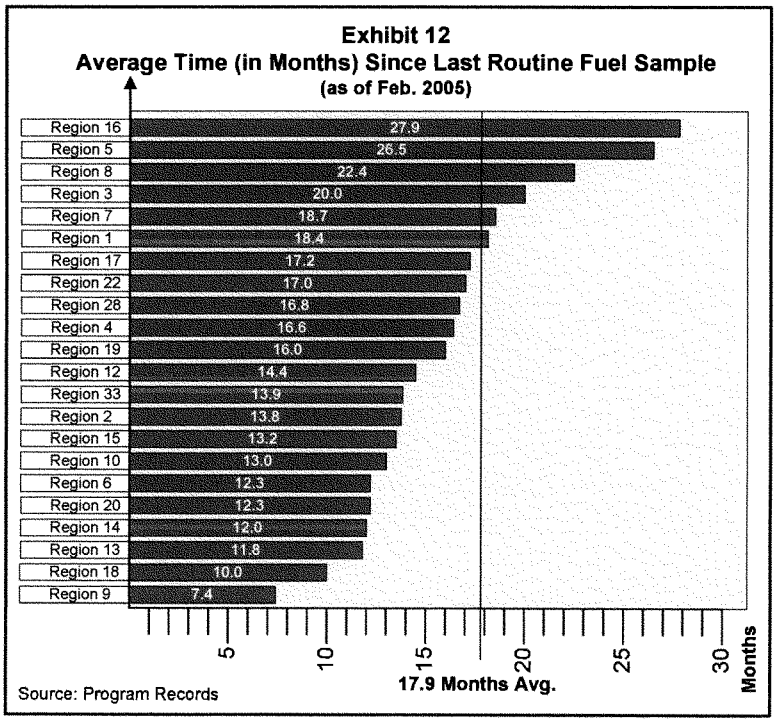
The fuel inspectors basically determine their own inspection schedules. Inspectors are instructed to try to inspect all stations on the same recurring schedule regardless of the relative size of the stations or other risk factors such as inspection history or history of complaints. Our audit identified the following problems with the Department's scheduling of inspection activities.

- **Fuel Pump Accuracy Inspections:** The frequency of pump accuracy inspections varies significantly among inspection regions. As shown in **Exhibit 7** on page 15, the average time between routine pump inspections ranged from less than six months to more than two years. For 16 regions, the average time since the last inspection was more than 6 months.

- **Fuel Quality Testing:** The average time since a station's last fuel test sample indicates all stations are not being tested every 18 months. As shown in **Exhibit 12** (on the next page), for 6 of the 22 inspection regions, the average time since the last fuel sample test was more than 18 months.

The Department needs to determine the optimal frequency for inspecting retail fuel stations for fuel pump accuracy and for conducting fuel quality testing. In developing an inspection frequency, the Department should consider a risk-based approach in which stations are inspected more frequently based on such factors as high sales volume, complaints history and inspection history. High-volume stations located on interstate highways for example, would be inspected more frequently than "mom and pop" stations located in small towns. Our survey of state fuel inspection programs in seven southeastern states found that six states had an objective for annual inspections. In addition, four of the states had aspects of risk-based inspections, such as conducting more frequent inspections at stations with past violations.

The Department reported in its response to this audit that its inspection goals are for pump inspections to be conducted two times per year and for sample testing averaging around 18 months dependent on resources. The Department questioned whether there was "statistical support" for focusing efforts on high-volume locations and reported that is was designing an electronic system to gather more data for management review. The Department also felt that the amount of available inspector time had an influence on the information provided in Exhibit 12 and noted that the inspector for Region 16 has many non-inspection activities.



Recommendation No. 3

The Department should establish and enforce up-to-date productivity standards regarding the number of pumps that should be inspected each day or per hour. The Department also needs to take steps to maximize the amount of time inspectors are actually on-site conducting inspections.

Currently, the Department does not have complete/up-to-date standards for inspector productivity and is not requiring inspectors to perform at any established productivity levels. The Department has standards that were written in 1996 requiring 60 pump inspections per day for inspectors using custom trucks with integrated test measure units (High-Speed Units) and 38 inspections per day for inspectors with handheld test measure units. The Fuel and Measures Director thought that inspectors using pick-up trucks with units mounted in the cargo bed (Slide-In Units) should fall somewhere between these two standards and estimated that 50 pump inspections per day would be a reasonable

productivity standard (see page 4 for pictures of the different test measure units used by inspectors.)

The daily productivity of inspectors is a function of two factors: the number of hours inspectors are actually on-site conducting inspections and the inspection speed as reflected by the number of inspections completed per hour. This relationship is shown in **Exhibit 13**. For example, to meet the daily productivity standard of 50 inspections per day (required of inspectors using Slide-In Units) would require that the inspectors operate roughly within the range highlighted in yellow.

Exhibit 13
Productivity Matrix Showing Inspections Per Day

Inspections Per Hour[1]	On-Site Hours Per Day							
	1	2	3	4	5	6	7	8
2	2	4	6	8	10	12	14	16
4	4	8	12	16	20	24	28	32
6	6	12	18	24	30	36	42	48
8	8	16	24	32	40	48	56	64
10	10	20	30	40	50	60	70	80
12	12	24	36	48	60	72	84	96

[1] The maximum number of possible inspections per hour was limited to 12 since the highest average number of inspections per hour for inspectors in October 2004 was 11.5.

Source: Audit Team Projections

As shown in **Exhibit 14** on the following page, our review of inspector activities during October 2004 found that, on average, inspectors were documented as being on-site conducting inspections only about 3.24 hours per day. Other available information on inspector time (timesheets and travel logs) indicated that, on average, inspectors did not record any information about what they were doing for almost half (3.83 hours) of an average day. Interviews with Department personnel indicated that unrecorded time may involve activities such as time spent commuting to and from work (in excess of one hour per day), unrecorded training time, and time spent driving around looking for new stations on rainy days when inspections could not be conducted. As also shown in **Exhibit 14**, average time on-site ranged among the inspectors from .38 hours to 4.53 hours per day and unreported time ranged from 2.56 hours to 6.07 hours per day.

Exhibit 14 also shows that the average inspection speed for all the inspectors was 7.9 pumps per hour and that the inspection speed of individual inspectors varied widely. For each type of test measure unit, the fastest inspector completed about twice as many inspections per hour as the slowest inspector. As also shown by the **Exhibit**, inspectors with the best equipment did not always outperform the other inspectors. Three of the

inspectors with the High-Speed Units, for example, conducted fewer inspections per hour than seven of the inspectors with Slide-In Units and fewer inspections per hour than three inspectors using Handheld equipment.

Exhibit 14
Productivity Factors for Retail Fuel Inspectors
October 2004

Test Unit Type	Region	No. of Completed Inspections in October	Time Accountability: No. of Unreported Hours Per Day	Time Accountability: No. of Other Reported Hours Per Day [2]	Time Accountability: No. of Hrs. On-site Per Day [1]	Productivity: No. of Pump Inspections Per On-site Hour	Daily Productivity: No. of Days in Oct. With Inspection Activity	Daily Productivity: No. of Pumps Inspected Per Day in Oct.	Standard (No. of Inspected Pumps) Per Day
High-Speed	22	622	2.77	2.53	2.70	11.5	14	44.4	60
	2	537	2.78	1.05	4.17	6.4	17	31.6	
	5	332	6.07	.00	1.93	8.6	12	27.7	
	33	304	5.32	.63	2.05	7.4	15	20.2	
	16	45	4.88	2.74	.38	5.9	7	6.4	
Slide-In	20	910	3.24	.47	4.29	10.6	20	45.5	50
	19	842	3.40	.42	4.18	10.1	19	44.3	
	14	777	2.59	1.26	4.15	9.4	16	48.6	
	12	598	4.42	.00	3.58	8.4	19	31.5	
	10	534	3.03	.84	4.13	6.5	17	31.4	
	6	532	2.56	2.00	3.44	7.7	17	31.3	
	1	528	3.71	1.11	3.18	8.3	14	37.7	
	9	519	3.05	.42	4.53	5.7	18	28.8	
	15	445	2.64	2.74	2.62	8.5	14	31.8	
	17	348	4.72	.32	2.96	5.9	19	18.3	
	3	165	5.18	1.26	1.56	5.3	10	16.5	
	8	NA	NA	NA	NA	NA	NA	NA	
Handheld	4	756	3.40	.42	4.18	9.0	17	44.5 [3]	38
	18	680	3.39	.11	4.50	7.6	19	35.8	
	13	536	3.45	.50	4.05	6.6	19	28.2	
	7	500	4.46	.32	3.22	7.8	18	27.8	
	28	195	5.41	.42	2.17	4.5	17	11.5	
TOTAL		10,705	--	--	--	--	338	--	--
Average		509.8	3.83	.93	3.24	7.9	16.1	31.7	49.5

[1] Average for 20 workdays in October 2004
[2] Based on a review of 19 days of activity.
[3] The only inspector that met productivity standard.
Source: Department Records and Audit Team review of October 2004 Inspector activity.

The net result of the time inspectors were actually on-site and their relative inspection speed was that only one of the Department's inspectors (Region 4 – highlighted in gray on **Exhibit 14**) met the Department's daily productivity standards during October 2004. It could not be determined if October was an average month; however, based on October activity, the annual productivity of all inspectors would only be about 135,000 inspections, or about 44% less than the annual average productivity standard for all inspectors (239,800 inspections).

The large variance in the actual inspection speed (Number of Inspections Per On-site Hour) of inspectors during October 2004 indicates the potential that inspector productivity, and especially the productivity of the lowest performing inspectors, could be significantly improved if inspectors were more closely monitored and held to up-to-date productivity standards. Since inspectors do not typically spend an entire day conducting inspections, the Department should consider developing productivity standards based on the number of pumps that should be inspected per hour. Per-hour standards would be easier to monitor and eliminate the need to make adjustments when inspectors do not spend an entire day on-site conducting inspections. Inspectors should also be required to account for all of their workday. Management personnel should review inspector time records to ensure that the time devoted to travel and other activities is reasonable. Closer monitoring of inspector activities should result in less unrecorded time and more inspector time spent on-site conducting inspections.

In its response to this report, the Department reported that it felt it had standards. It was noted that subsequent to our review the Unit Director identified that a meeting held in 2003 recommended revising productivity goals to 50, 43, and 30 pump inspections per day; however, the recommended changes were never formally implemented. The Department indicated that it did not think that hourly frequency goals worked well, day frequency goals were questionable, but 40- to 80-hour intervals would probably work. The Department also reported that it felt that off-time, travel time, complaint work, etc. would be better accounted for with a new electronic system that it was developing. It was also noted that rain affects all outside work and the Department must minimize the possibility of contaminating a tank; however, it was also noted that there are other "catch-up" activities that can be done. The Department agreed that the lowest performers may need improvement; however, the Department cautioned that other non-inspection factors needed to be considered. Finally, the Department reported that is was developing a system to monitor productivity.

Recommendation No. 4

Action should be taken to revise the inspection procedures to make more effective use of inspector time.

The Division's retail fuel inspectors reported that they cannot inspect fuel pumps when it is raining because rainwater might contaminate the station's storage tanks when they empty the fuel in their test equipment tanks back into the station's storage tanks. On rainy days they reported that they drive around and look for new service stations in their inspection regions and verify that posted prices match the prices shown on a station's pumps. Inspectors also reported that they always test every pump at each station and there are no procedures for sampling the pumps to expedite the inspection process.

The Department needs to develop procedures to enable inspectors to inspect pumps on rainy days. For example, a canopy to protect the inlet pipe of storage tanks might be utilized. The Department also needs to identify statistical sampling techniques that might be used to expedite the inspection process and still provide adequate consumer protection.

The Department indicated in its response to this report that it felt that the possibility of contamination by rainwater must be kept to an extreme minimum; however, it was noted that other inspection activities could be performed at these times and the Department was developing better documentation of these activities. The Department also indicated that it felt full inspections (not samples) were needed to minimize travel time as a percentage of a day. Finally, the Department indicated that it felt that documentation of time by electronic means was the best method for evaluation and is under development.

Recommendation No. 5

Consideration should be given to providing all inspectors with specialized trucks to increase their productivity.

As shown in **Exhibit 3** on page 4, the Department has three types of test measure units that are used to test the accuracy of fuel pumps in the state. The Department has productivity standards (or expectations) regarding the number of pumps that inspectors should be able to conduct with each type of unit as shown in **Exhibit 15** on the following page. As also shown in the **Exhibit,** the theoretical inspection capacity of the Department's inspectors could be increased by approximately 21% (from 239,800 to 290,400 inspections) if all inspectors were equipped with the most efficient equipment (High-Speed Units). An intermediate step might be to have the inspectors with handheld units equipped with slide-in units. Providing slide-in units to these inspectors would

increase the Department's theoretical capacity to 253,000 inspections (or approximately 5.5% more than the Department's current capacity).

Exhibit 15
Potential Capacity Impact of Upgraded Test Unit Equipment

Test Unit Type	Expected Productivity		Number of Inspectors	Total Annual Expected Capacity	Upgraded Equipment	
	Daily	Average Annual Capacity			Number of Inspectors	Annual Expected Capacity
Hand Held	38	8,360	5	41,800	0	-
Slide-In[1]	50	11,000	12	132,000	0	-
High Speed	60	13,200	5	66,000	22	290,400
TOTAL		32,560	22	239,800	22	290,400

[1] Expected capacity not documented - the estimate used in this analysis was provided by Section Director.
Source: Agency Records and Audit Team Projections

The Department has reported that the specialized high-speed trucks cost approximately $47,000 each and that Slide-in units (including a new truck) cost approximately $33,000 each. While the Department needs to better manage inspector activities to ensure that they perform at expected productivity levels (see Recommendation 3 on page 27), using more efficient inspection equipment should enable the Department to operate with fewer, but more productive, inspectors. Ultimately the additional initial cost associated with any new equipment should be recovered by reductions in inspection personnel.

The Department reported that as of November 2005, all but three of its inspectors had "upgraded equipment."

Other

Recommendation No. 1

The Department should enforce the provisions of state law requiring service stations to register with the Department or seek to have the provisions deleted.

Currently, the Department does not enforce O.C.G.A. 10-1-158, which requires all fuel stations to register with the Department annually and supply information such as the location of the station and the type of fuel pumps used. Instead of requiring annual registrations, the Department updates its list of active stations by having its inspectors identify new stations in their assigned regions.

While state law prohibits charging inspection fees, the Department should consider implementing a registration fee for retail fuel stations. Registration fees could help offset

the costs involved with maintaining up-to-date information on stations in the state. As shown on **Exhibit 6** on page 9, several other states in the southeast charge registration fees. Charging a registration fee could also be justified since the stations benefit from the Department's inspection activities. In addition to protecting consumers, the pump inspections also save the stations money when inspectors identify pumps that are undercharging customers.

In its response to this report, the Department reported that it did not think charging registration fees was "something the state wanted to do." It was noted that "since inspections occur at least annually, the Department considers this to be compliance with annual registrations." Regarding registrations, the Department also indicated that it felt that "the method utilized is the least expensive, most time efficient and least burdensome on the regulated industry and the Department."

Recommendation No. 2

The Department needs to ensure that the State Fuel Oil Laboratory is in compliance with applicable fire safety regulations. At the time of this audit, the Fuel Oil Lab was in the process of addressing problems identified by the State Fire Marshal's Office.

During visits to the State Fuel Oil Laboratory in Forest Park, the audit team observed what appeared to be potentially unsafe conditions. The State Fire Marshall's Office was consulted and it was identified that there was no record of the lab being inspected by this Office in recent years. The lab was subsequently inspected and various corrective actions were identified that were needed to bring the facility into compliance with applicable fire safety regulations and building codes. As of August 2005 the State Fire Marshal's Office reported that the lab was in the process of implementing the required corrective actions.

The Department noted in its response to this audit that the laboratory was inspected annually by the Clayton County Fire Department and felt that this recommendation was not applicable and should not be part of a performance audit.

Performance Audit Operations Division

Established in 1971 as part of the Department of Audits and Accounts, the Performance Audit Operations Division conducts in-depth reviews of state programs. The purpose of these reviews is to determine the degree to which state programs are accomplishing their goals and objectives; provide measurements of program results and effectiveness; identify other means of achieving goals and objectives; evaluate efficiency in the allocation of resources; and assess compliance with laws and regulations

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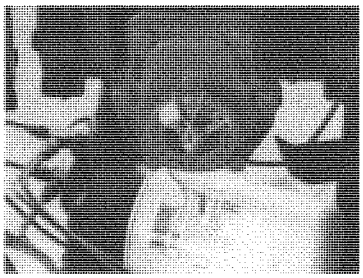
Motor Fuel Meters

Meter drift is a natural occurrence all motor fuel dispenser meters experience as more and more volume of fuel is dispensed. Most motor fuel meters will drift to the plus side and allow for fuel to pass through the meter without registering or being accounted for. Our current government acceptable and maintenance tolerances allow a motor fuel reseller to operate legally within a range that can create a loss to the reseller, the gas tax, or conversely, cheat the consumer.

When the NIST established the tolerances, they allowed for an ease in operation and did not want to create a hardship on the reseller, knowing that meters could and would lose their accuracy over time. Sadly, resellers do not know the importance or have the knowledge to manage motor fuel meter accuracy at absolute zero. Instead, they have ignorantly relied on state inspections to keep them within the acceptable and maintenance tolerances only.



In 1974, the volume of gasoline sold in the U.S. was one billion gallons and was dispensed somewhat equally over the low grade, mid-grade, and high-grade meters. In comparison today, the U.S. is consuming an average of 141 billion gallons annually, with 81.4% of the volume being dispensed through the lowest grade meters only, compounding the losses from meter drift.

A Perfect Storm in that we have 1974 established tolerances governing 2010 volumes of fuel sold, coupled with much higher wholesale gasoline pricing, higher fuel taxes, and the documented fact that state's Department of Weights & Measures are failing to meet timely inspections, demands that acceptable and maintenance tolerances of meter drift are no longer an insignificant loss to consumers, small business, or our country's much needed funding resource for transportation and infrastructure.

Drivers Turning to Lower-Grade Gas

ARTICLE TOOLS
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By IAN URBINA
Published: June 18, 2008

ARLINGTON, Va. — As the price of fuel continues to climb, more drivers are trying to save 20 or so cents a gallon by using regular or midgrade gasoline, even when their owner's manuals recommend premium.

For gas station managers, fuel suppliers and motorists across the country, the run on the cheaper fuel has led to more uncertainty at the pumps, as some stations have run out of the cheaper grades.

"Even people with the high-end cars are cutting corners and using the cheaper stuff," said Dominick Vallera, the manager of a Shell station on Capitol Avenue in Hartford. "It's got us constantly guessing how much to order."

For nearly 48 hours last week, Mr. Vallera had to put yellow bags on pump handles and white signs over the meters for the regular gas pumps because he had run dry.

Because the companies that supply his station are paid by the delivery, Mr. Vallera said, they want to deliver more often, so their trucks carry only the amount that has been ordered in advance, not any extra to top up a station's storage tanks. If motorists show up in large numbers and use more than the predicted amount of regular gas, a station may run out before the next delivery, he said.

Brian Alterio said he visited three stations last Thursday along Woodhaven Boulevard in Queens before finding one with regular gasoline left to fill his 2004 Acura. Even though the car's manual says he should use premium, Mr. Alterio, 59, said the occasional pinging from his engine, caused by using the lower-octane gas, was worth the savings.

"When premium hit $4.10 a gallon, I realized there was a sliding scale between performance and economizing," said Mr. Alterio, who is a manager for Canon Business Solutions.

For Art Pushkin of Dix Hills, N.Y., that line came when premium hit $4 a gallon.

"The car doesn't take off like it used to, but I can live with that," said Mr. Pushkin, who began using regular gas in his 2006 Infiniti about three months ago after consulting his car dealer.

The savings have helped, but not enough, Mr. Pushkin said. In recent weeks, he and his wife have begun relying more on the family's second car, a Lexus hybrid S.U.V. that averages 25 miles a gallon, roughly seven miles more than the Infiniti, he said.

"I still use the Infiniti, but we are not going back to premium," he said.

Automotive experts say that following the manufacturer's instructions is advisable, and that some high-performance cars can experience knocking and hesitation when accelerating, and possibly some engine damage, if regular gas is used when a higher grade is recommended.

"The only thing I've noticed is more money in my wallet," said Steve Altman, standing alongside a black 2007 Mercedes-Benz on Lee Highway in Arlington, across the Potomac River from Washington. Mr. Altman said that he made the switch from premium gas two weeks ago, and that his car ran no differently than before. Still, he plans to add a fuel injection cleaner at the end of the month, just in case.

Even among the luxury cars, many can use lower-octane fuel with only a slight drop in horsepower or gas mileage, most experts said. Most nonluxury cars do not require higher octane gas.

The shift toward regular and midgrade gasoline is part of a longer-term move away from the more expensive fuel.

In 2007, premium accounted for 9.4 percent of all gasoline sales in the nation, down slightly from 9.5 percent the year before, according to Energy Department data. Ten years ago, premium claimed 16.6 percent of the market.

Jeff Lenard, a spokesman for the National Association of Convenience Stores, said the biggest shift over the last year had been to midgrade from premium.

In the association's survey of 3,368 convenience stores that sell gasoline, premium sales in March were 0.4 percent lower than in April 2007, measured by volume, and sales of regular gasoline nationally fell by 1.4 percent. But midgrade volume rose 15.6 percent in that time, the association found.

Even so, car makers are introducing more models that need the premium grade. The number of new vehicle models that either require higher octane fuel or run better on it

has risen steadily to 282 this year, from 166 in the 2002 model year, said Robyn Echard, a spokeswoman for Kelley Blue Book, an auto pricing guide.

John Watts, the owner of Watts Petroleum in Lynchburg, Va., which sells gasoline to gas stations, said he was delivering far more regular gasoline than ever. Mr. Watts said he had also been getting many more calls from station managers who wait until the last minute to order because they do not want to buy more than they need, because the prices — even for regular — are so high.

"Things have gotten to where everyone is trying to game the system, and no one can afford to lose," he said.

Premium gas sales tank as fuel prices rise

By TAMARA LUSH (Associated Press Writer)
From Associated Press
June 19, 2008 10:48 AM EST

MIAMI BEACH, Fla. - Ernesto Evangelista prefers to pump premium gas into his seven-month-old Nissan Titan, thinking it makes the truck run better.

But at a BP station just a few blocks from the sand of Miami Beach, the 33-year-old painter grabbed the handle for the regular, 87-octane gas to fill his tank on a recent Friday.

"Premium is just too expensive," he said. "Nobody can afford to fill up with premium anymore."

With rising fuel prices pushing the national average for premium to $4.48 a gallon - about 40 cents higher than regular - motorists like Evangelista are buying less of it, industry statistics show.

Demand for high-octane fuel is at its lowest in nearly a quarter of a century and is now primarily consumed by a core group of luxury vehicle owners - and even some of them are putting lower-grade fuel into their tanks to save money.

In 1997, high-octane garnered 16 percent of the nationwide fuel market share, according to figures from the U.S. Energy Information Administration. Last month, premium had only 8 percent of the market. Last year, premium gasoline consumption fell to about 35.6 million gallons of gas per day, the lowest in 24 years, the agency said.

"We're down to the core, die-hard audience that believes they need 93," said Tom Kloza, publisher of the Oil Price Information Service, a New Jersey firm that provides petroleum pricing and news information.

Gas station owners say they are pumping so little premium that it can take three or four weeks to sell their high-octane inventory, as opposed to a couple of days for a delivery of regular gas.

"The reality is, when you're having to make a choice between food and fuel, all of a sudden you'll make a decision to give up the benefits of the higher product," said Sonja Hubbard, the CEO of E-Z Mart Inc., a Texarkana, Texas-based company that owns 307 convenience stores in Texas, Arkansas, Oklahoma, Louisiana and Missouri.

Premium gas is making up only 3.3 percent of E-Z Mart's gas sales this year, Hubbard said.

Gas station owner Rob Garrett of Centreville, Va., says the decline in premium sales hurts his profits.

"The shift from higher grade, higher profit products will decrease my margin," says Garrett, who estimates that sales of premium have decreased 10 to 15 percent since last year at his three gas stations.

Jessica Caldwell, an auto industry analyst with the car-buying resource Edmunds.com, says consumption of premium has fallen because people are driving less overall and more people are buying compact cars that don't need high-octane fuel. She points out that most premium fuel is 30 or 40 cents a gallon more than regular - meaning that cutting it out would only save a few dollars per tank.

"It really doesn't add up to very much," she said. "It's more of a psychological thing. You're at the pump, and it seems like every time you hit a certain threshold, you cringe."

Some motorists feel they have no choice but to pump premium. The number of new models that manufacturers say should use high octane - mostly luxury sedans and high-performance sports cars - has risen from 166 in 2002 to 282 this year, according to the Kelley Blue Book, an Irvine, Calif.-based company that provides vehicle value information.

There's some debate over whether premium gas is really necessary for all but a few models. Consumer Reports wrote this month that motorists should not waste money on premium if their owners manual says the vehicle takes regular - the car won't run better. The magazine also says many cars that are supposed to only use premium perform just as well with regular.

Judd Rosen, a 33-year-old attorney in Miami, says the dealer told him to put high-octane in his silver 2005 Range Rover. But the cost can be shocking - a few weeks ago, it cost Rosen $100 to fill his tank.

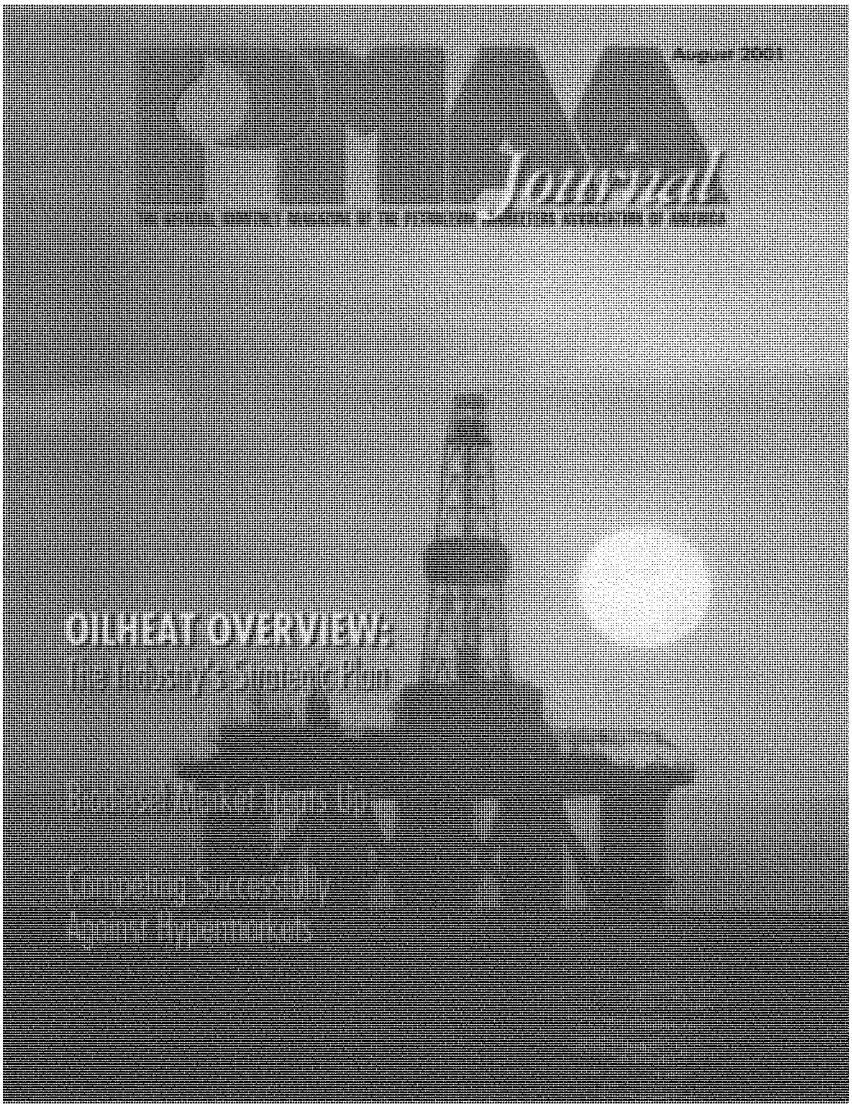
"I took a picture of the price on the pump with my cell phone and e-mailed it to all of my friends," he laughed.

Melissa Hodge, 32, of New Lenox, Ill., alternates between premium and regular for her Infiniti G35 sedan.

"I know premium is better for my car, but with the economic times, I just can't do it," said Hodge, who commutes 50 miles a day as a salesperson.

The price of premium hasn't discouraged waiter Gregg Bernstein, 32, of Miami Beach, from gassing up with the good stuff. He owns a little red scooter that sips fuel.

"It costs $3 to fill the tank," he said. "I'd rather put premium gas in it and keep it clean."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Journal
OILHEAT OVERVIEW:
The Industry's Comeback Plan
Successful Market Heat Loss
Calculations
Commercial Success with
Agronomic Investments

ADVANCES IN RETAIL MOTOR FUEL METER CALIBRATION

Create a New Profit Opportunity

by Richard Jordan

Vice President, Seraphin Test Measure Co.

How often do you find yourself wishing that you had more opportunities to expand your petroleum service business? Naturally, you stay abreast of any new service station openings, or try to pick up new business when a competitor missteps. Charging more for existing services can improve margins, but it carries the risk of losing customers in a tight market. It's not easy to grow your business in a mature service industry, but finally, some advances in retail motor fuel meter calibration are offering a whole new service opportunity, and a realistic way to increase revenue.

Station owners can suffer substantial losses at the pump even when meter accuracy remains well within the acceptable meter in-use maintenance tolerance

With gas prices at staggering highs, the timing is right to respond to service stations' need to control fuel flow at the pump. The inevitable wear on meters too frequently results in over-dispensing, resulting in lost dollars on a low margin product more quickly than ever before.

Station owners can suffer substantial losses at the pump even when meter accuracy remains well within the acceptable meter in-use maintenance tolerance (as specified in NIST Handbook 44 *Specifications and Tolerances for Weighing and Measuring Devices*). Meters are traditionally tested using 5-gallon test measures made to stringent NIST design and construction specifications. On a 5-gallon test, the meter maintenance tolerance is plus or minus 6 cubic inches (231 cubic inches per one gallon or 1155 cubic inches per 5 gallons). At merely a couple cubic inches off to the positive side, and well within tolerance, thousands or even tens of thousands of dollars in revenue could be lost at a high volume station.

Some of your customers may already have concerns about their potential lost revenue due to calibration inaccuracies. If you have customers who are not concerned, it may only be because they haven't looked at the numbers and considered how much they could lose due to inaccurate calibration (see fig. 1 below). Just a glance at the potential for lost revenue is likely to wake up the most complacent station owner.

Good Intentions May Fall Short

Optimally, service station technicians recognize that meter calibration should be conducted on a regularly scheduled basis and many stations attempt to do periodic checks on their own. Because most meter calibration at service stations is done manually and the hauling of full 5-gallon test measures is slow and physically demanding, chances are that the testing schedule may become inconsistent. Consider the volume of testing required at some of the larger stations, many with up to 12 pumps and 72 hoses.

NIST requires conducting two tests per hose (fast, or full flow, and slow). To calibrate the entire station, 144 tests would have to be conducted by a calibration technician carrying 6,624 pounds, or 3.3 tons of fuel. So, while this segment of your customer base may recognize the problem and try to control it, they are probably not able to

follow through as thoroughly as they would like.

Another group of your customers may choose to rely exclusively on Weights and Measures to test calibration accuracy. While this important government organization provides a valued role for *both* consumers *and* service station owners, their most important obligation is to protect the consumer. Supplementary testing is simply a good business decision, helping to ensure that service stations are also protected from losses.

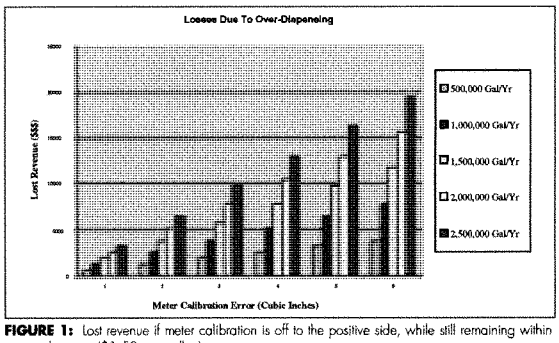


FIGURE 1: Lost revenue if meter calibration is off to the positive side, while still remaining within meter tolerance. ($1.50 per gallon).

The Value of Having the Right Tool for the Job

Illustrating cost savings is easy and the rationale for testing is hard to argue against. But up until now, offering meter calibration hasn't been very attractive to petroleum service companies. After all, it has been just as cumbersome and time consuming for service companies to do the testing as it has for the stations to do it on their own.

Finally, the availability of a portable motor fuel calibration system is creating a significant new opportunity for petroleum service companies to respond to service stations' need to manage proper flow at the pump. The method uses the same reliable engineering used for over 50 years — the 5-gallon prover — but a change in the delivery system makes a Model T run more like a Porsche.

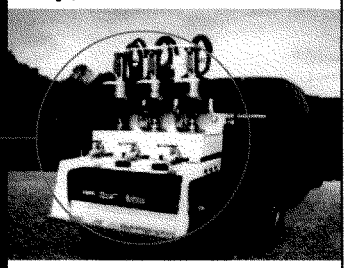
Various configurations of mobile motor fuel calibration systems dramatically reduce the time required to calibrate multiple fuel dispensing units. One popular model can be slipped onto the bed of any standard pick-up truck or can be trailer mounted, and completely eliminates the need for any hand-held hauling of fuel. The slip-on unit houses three 5-gallon NIST-compliant bottom drain provers that are individually plumbed to either 60- or 80-gallon transfer tanks. Contrast the difference with hand-held methods: a 60-gallon configuration allows for up to 36 calibration tests before returning to the fuel storage tank for dumping; the optional 80-gallon transfer tank version allows 48 tests to be completed before dumping.

With a mobile calibration system, providing calibration service becomes a profit opportunity, not just a service accommodation.

Brad DuPree of DuPree Testing Service in Ulysses, Kan. has seen a significant increase in productivity since he added a slip-on unit several years ago. DuPree supports the state of Kansas in their testing efforts. Kansas segments its testing into eight areas, and DuPree Testing Service does all the testing for the largest area, including the city of Wichita and three counties. The numbers alone tell the whole story. "We

Introducing a Profit Center Disguised as a Motor Fuel Calibration System

SERAPHIN
The Proven Prover!



Seraphin's Slip-On Calibration Unit accelerates the job of calibrating multiple fuel dispensers while at the same time enhancing the safety of personnel. Productivity is increased and the possibility of injury, fatigue or spills are avoided by eliminating the need to carry & pour test measures filled with fuel after each test. Many petroleum service companies are creating new calibration profit centers based on the dramatic productivity that the Slip-On Unit provides. Calibration Technicians and Weights and Measures inspectors report that they are calibrating over twice as many meters per day as compared to the hand-carried test measure method typically performed.

For more information contact:
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30 Indel Avenue
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Phone: (609) 267-0922
Fax: (609) 261-2546
E-mail: seraphinsales@seraphinusa.com
Website: www.seraphinusa.com

continued

check over 4,800 meters in one year, with just one person," DuPree says. "There's no way we could do that without the slip-on unit. We could never be in this business without it."

Mutual Oil Co., Inc. is in the business of service station management, but testing is viewed as critical on behalf of their 30 stations and 150 dealers throughout New England. After testing their meters with a new motor fuel calibration trailer, Mutual Oil found they were experiencing inconsistencies that required adjustments. Mutual Oil's President Ed Rachins says, "Now we have more of a comfort level about our equipment. With the volume that some of the stations are pumping out there today, it doesn't take long to notice inventory fluctuations. It's like an insurance policy for us."

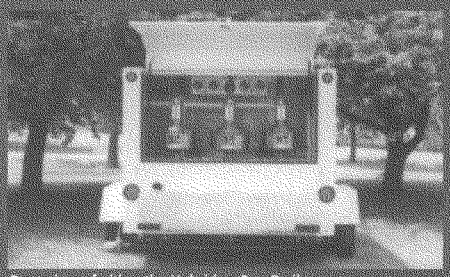
While Mutual Oil and companies like it may be able to provide their own testing equipment and personnel to supplement Weights and Measures, most stations cannot, and look to their petroleum service company for help once they recognize the problem. Losing fuel at the pump has a significant impact on any station owner.

More Opportunity, Fewer Accidents

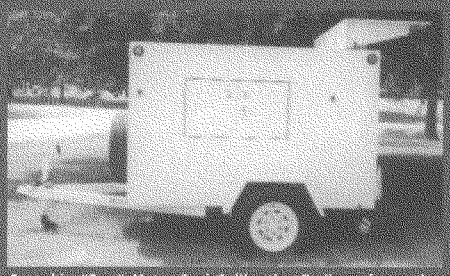
While a slip-on unit more than doubles productivity, it actually *decreases* the propensity for accidents around the pump. The slip-on unit's most notable safety improvements over hand-held methods include a reduction in the chance of fuel spills, as well as the elimination of personnel injury caused by carrying heavy test measures.

Still asking yourself how to expand your business? A modest investment may help you to stop pondering and start growing with an expanded arsenal of services that can increase your revenue, satisfy your customers, and surprise your competitors. ■

Seraphin "Hybrid" Motor Fuel Calibration Trailer – for testing gasoline and high speed diesel dispensers. Conduct 69 gasoline tests or four high speed diesel tests prior to draining to underground storage tank.



Rear view of either the Hybrid or Box Trailer.



Seraphin "Box" Motor Fuel Calibration Trailer – for testing gasoline dispensers.

CONTACT: SERAPHIN TEST MEASURE CO., PO BOX 727, 30 INDEL AVE, RANCOCAS, NJ 08073
609-267-0922 • FAX 609-261-7546 • EMAIL seraphinsales@seraphinusa.com • WEBSITE seraphinusa.com

The Silent Thief

Case Study for
Statistical Inventory Reconciliation

simmons

The Silent Thief

Profits Lost Through Miscalibrated Meters

Statistical Inventory Reconciliation (SIR) is a proven methodology to accurately manage fuel inventories. Through an algorithm process, SIR analyzes fuel inventory data (sales, deliveries, product levels, and meter readings). From this analysis, it is possible to determine:

- Tank and Line Integrity
- Delivery Accuracy
- Tank Tilt/Incorrect Tank Charts
- Miscalibrated Meters
- Pilferage

In underground storage tank (UST) systems, there are three areas where fuel can be lost: sales, deliveries, or a leak in the tank and lines. In order to lose fuel through sales, the dispenser pumps more fuel than the meters register.

The only way to lose fuel through deliveries is a discrepancy in the number of gallons reported delivered and the number of gallons actually received. If the integrity of the tank or line is compromised, then fuel can be lost as a result.

Focus on the Sales Process

The most common area where fuel losses are identified is in the sales process with the miscalibration of meters. While individual meter miscalibrations may appear to be small and insignificant, the aggregate of these miscalibrations results in the loss of significant profits.

Sales are recorded from a mechanical totalizer located on the pump or from a console inside the store. Both numbers are generated by a flow meter inside the dispenser. The flow meter is located between the fuel line and hose, which dispenses the fuel product.

As fuel passes through the flow meter, a small fan or turbine spins, measuring the amount of product that passes through the meter. This small fan turns the cable that drives the mechanical totalizer and console, where the sales (in gallons) are registered.

The flow meter measures the fuel in increments known as "cubic inches". There are 231 cubic inches per gallon. Flow meters are designed to be adjusted or calibrated to precisely measure cubic inches. This dial allows the flow meter to be adjusted; allowing for more or less product to flow through.

The Environmental Protection Agency (EPA) requires meters be calibrated within plus or minus 6 cubic inches. To aid in this process, a five-gallon calibrating container, which measures five gallons plus or minus 20 cubic inches was developed.

The procedure calls for a calibration technician to dispense exactly five gallons of fuel according to the pump's meter. A comparison is then made between what the five gallons the meter says was dispensed and the amount of fuel actually in the calibrating container.

EPA regulation consider meters to be within tolerance if the amount is plus or minus six cubic inches. State and local agencies regularly check meter calibrations to protect the public's interest.

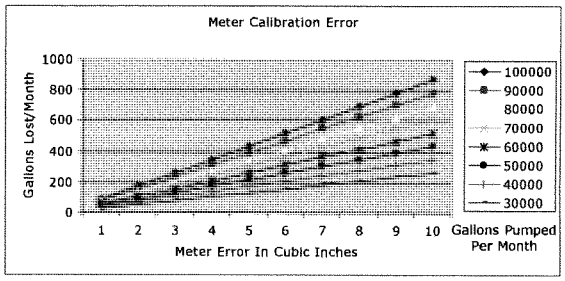
Meters Drift Over Time

It has been Simmons experience that the accuracy of meters tend to shift over time. In a large majority of cases, meters tend to give product away, letting more fuel pass through than is accurately recorded. Simmons EPA Compliance Service affords retailers peace of mind by detecting miscalibrations monthly.

Statistical inventory reconciliation continuously identifies meter miscalibrations within close tolerances. Beyond meeting the accepted tolerances set by federal and state agencies, retailers need to focus on maintaining a 'zero' tolerance policy to minimize the loss of profits.

In high volume fuel locations, retailers can lose hundreds of gallons of fuel and still be within government tolerances! *The Silent Thief* is the miscalibrated meter that allows more fuel to pass through than it should. For many retailers experiencing low margin pools, this loss can deeply cut into fuel margins.

To illustrate this point, review the Meter Calibration Error chart. In a tank selling as little as 30,000 gallons per month, with a meter miscalibration at plus or minus six cubic inches, the tank would be giving away 156 gallons per month.



If the sales amount increased to 90,000 gallons per month, the amount of product given away is 468 gallons. In both examples, these tanks meet federal and state government tolerances.

Fuel Compliance Audit

Simmons performed a fuel audit for a major oil company. A series of monthly statistical inventory reconciliation analyses were performed from a time period beginning in December and concluding the following May. The process called for a calibration of the meters after the SIR analysis was completed. The results of the meter calibration exercise are shown below:

Major Oil Case Study Results

	Hose 1	Hose 2	Hose 3	Hose 4	Hose 5	Hose 6	Hose 7	Hose 8
Calibration Results (+)	8	2	4	8.5	4	4	4	5
% Sales Per Hose	27.10%	17.10%	12.60%	8.40%	13.60%	7.10%	9.80%	4.20%
Gallons Lost Per Day	3.58	0.57	0.83	0.69	1.91	0.47	0.65	0.35
3 Month Gallon Loss	322	51	75	62	172	42	58	31

This audit revealed the average daily sales were 1,909 gallons. Average monthly sales were 52,270 gallons. The net meter miscalibration for all eight hoses was about +5.47. In other words, for every five gallons dispensed, 5.47 cubic inches of fuel was given away.

When the meter miscalibration percent is applied to the monthly throughput of fuel, it revealed in this one tank, 271 gallons of fuel were given away! Over a three month period, 813 gallons were lost; annualized the total loss from this one tank was 3,252 gallons!

When the actual meter calibration was compared to the calculated loss identified by Simmons through the SIR calculations, it was revealed that Simmons had accurately identified the meter miscalibrations within .15 cubic inches.

This audit served as a case study and led this particular company to implement statistical inventory reconciliation as part of their fuel management program.

Calculating The Financial Loss of Miscalibrated Meters

To this point, we've discussed the loss of miscalibrated in terms of gallons. To fully appreciate the financial impact it has on a company's bottomline, lets look at the financial implications.

Using the 'Financial Impact of Miscalibrated Meters' chart below, let's review the three examples covered in our case study. It should be noted, the pump price for each gallon is calculated at $1.25.

In the first example, 30,000 gallons of fuel per month was pumped and the miscalibrated meter was +6 cubic inches.

Using the pump price of $1.25 per gallon, the annual loss is $2,340. If the retailer has an 8¢ per gallon pool margin, 29,250 gallons would need to be sold to just break even!

In our second scenario of 90,000 gallons per month and the miscalibrated meter of +6 cubic inches, the annual loss is $7,020. Again, using an 8¢ margin, 87,750 gallons would need to be sold to break even.

In both cases, roughly one month's worth of volume would need to be sold to just break even on the losses created by miscalibrated meters.

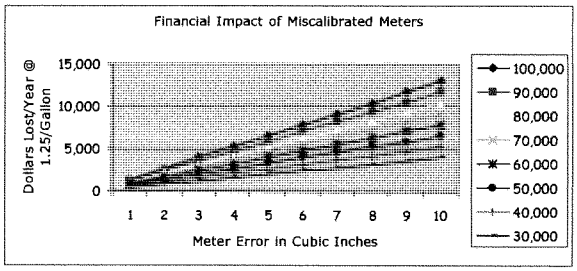
In the fuel compliance audit, the oil company lost $2,035 in the six months prior to the meters being correctly calibrated. Their annual loss would have been $4,065. With the six month loss and an 8¢ pool margin, they pumped 25,406 gallons to break even.

To better understand the true financial impact of miscalibrated meters, expand the calculations of our examples to a 25 or 50 store chain. The cost of implementing statistical inventory reconciliation is minor when compared to even a +1 cubic inch loss in a low volume tank.

The additional benefit of SIR is EPA compliance without the investment of capital. Retailers are afforded a flexible compliance strategy that is consistent with their existing store automation strategy.

Today's underground storage tank owners are faced with increasing regulations. From a retail perspective, they face stiff competition from high volume retailers. Implementing strategies that allow for the reduction of costs/losses and maximization of profits not only makes good sense, but shall help to ensure they remain in business.

Statistical inventory reconciliation is one such strategy that meets the criteria for retailers working to make a profit in a penny business.



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Motor Fuel Resellers

Motor fuel resellers are facing high wholesale gasoline prices which result in lower fuel margins, liquidity issues, and the fear of bankruptcy. Fuel sales are over 70% of the the total gross revenue of a covenience store, but many have abandoned efforts to reap profits from fuel sales and have focused on in store items: such as coffee, food items, and beer. They are unaware that proper management of their motor fuel meters could mean the difference in staying in business or filing for bankruptcy.

To rely solely on state inspections to meet compliance is a formula that accepts a continous loss in fuel sales and profits. When a reseller operates in this manner, he will also guarantee that applicable gas taxes will not be collected, therefore, short-changing the Highway Trust Fund.

Rural stations struggle to keep gas flowing

BY PAT FERRIER
PatFerrier@coloradoan.com

LIVERMORE - White plastic grocery sacks cover three of the four gas nozzles at The Forks, a telltale sign the pumps are out of order or empty.

The tiny restaurant, gas station and store named for its location at the fork of U.S. Highway 287 and County Road 74E is a driver's last hope of filling an empty gas tank until Wyoming.

It's getting tougher for rural stations such as The Forks to keep the pumps flowing amid soaring prices and higher delivery costs.

The Forks has shut down three of its four pumps and plans to continue selling only regular unleaded gas.

Like other rural gas stations, The Forks pays a 1.5 percent surcharge on deliveries because of its distance from Fort Collins.

"It makes it hard to be competitive when you're a small independent," said Yvonne Foster, who runs The Forks.

"Diesel costs too much to put it in the ground. We would have to sell it for more than $5 a gallon."

Ed Race, operations manager at the Poudre Valley Co-op, said diesel volumes are down at the station, 225 NW Frontage Road.

"A lot of people are leaving their diesel vehicles parked and are going back to gas vehicles," he said, based on station volumes.

At the Western Ridge Restaurant and RV Park between Livermore and Red Feather Lakes, Cheryl Franz pays $3.60 a gallon to fill her 2,000 gallon tank.

She tacks on 9 cents per gallon for customers for a profit of $1.35 on a 15-gallon fill up.

"I look at it like this ... customers need it, and we provide it for them," said Kranz, who gets her fuel from the Co-op and pays the additional surcharge.

Race said the flat 1.5 percent delivery fee is necessary because of the increased cost to deliver to rural customers, which make up more than 50 percent of the Co-op's customers.

"Quite frankly, it's cheaper to buy it in town," Race said. "We're such a mobile environment anymore, people come in constantly anyway."

Western Ridge has one aging pump that serves Glacier View Meadows residents, the RV park and travelers heading up and down the mountain.

It has the lone pump between The Forks and Red Feather Lakes on County Road 74E.

"It amazes me how many people can come to the mountains on red (empty) and come crawling in asking if we have gas and saying they don't think they can make it to town."

Ten miles farther west, Red Feather Super & Sportsman's Café, 137 Dowdy Road, tacks 20 cents on to every gallon of gas to defray the high costs of hauling fuel up the mountain.

The supermarket pays more than $3,000 to fill its 800 gallon tank almost every week, a tough up-front cost for a small market, but a necessary one for residents and visitors of the small village, said Travis Ryan, whose family owns the store.

The store has little choice but to continue selling gas. It's one of only three options in the village.

High Gasoline Prices Hurt Retailers

February 6, 2008

WICHITA, Kan. – Retailers in Kansas are just as concerned about high gasoline prices as their customers, reports the *Wichita Eagle*.

Examining the findings of the recent 2008 NACS *Consumer Fuels Report*, the newspaper said that there were "no surprises" in the finding that both consumers and retailers are hurt by high gasoline prices – a sign that the industry's message is increasingly being heard.

There also are emerging industry issues gaining traction, especially the liquidity crisis facing many retailers. The cost of fuel that retailers must inventory has increased four-fold in the past decade, from about $6,000 to $25,000 a truckload, noted the newspaper.

"Big issue," Barry Powell, president of the Petroleum Marketers and Convenience Store Association of Kansas, told the newspaper. "If you don't have your thumb on your day-to-day business with those numbers, it doesn't take you long to really get yourself in trouble."

The liquidity problem facing many retailers is compounded by low margins and high credit card fees, the newspaper noted. "In fact, NACS reports that fees members paid to credit cards... have more than doubled, from $3.2 billion in 2003 to $6.6 billion in 2006 as gas prices exploded."

A number of other media outlets examined finding from the 2008 NACS *Consumer Fuels Report*, including Reuters and *The Los Angeles Times*.

The March 2008 issue of *NACS Magazine* will feature in-depth analysis and commentary from industry leaders of five key insights gleaned from the 2008 NACS *Consumer Fuels Report*.

High Gas Prices Not Translating to High Profits for Stations

March 17, 2008

NEW YORK, N.Y. -- Motorists may fume when forking over $3 a gallon at the local service station, but as it turns out, your local filling spot makes chump change from a gallon of gasoline.

While often blamed for pushing up prices, oil traders don't necessarily benefit from the high price of crude or gasoline; they profit from how much the price changes, CNNMoney reports. Traders can get rich -- as long as they bet correctly on whether prices will rise or fall.

For example, an investment bank that makes a bet that the price of oil will rise makes money when oil prices go from $95 to $100 a barrel -- or $100 to $95 if it bet the price will fall -- not on the difference between production cost and trading price.

Most service stations are independently owned and operated and take in between 7 and 10 cents for every gallon they sell, according to the U.S. Energy Information Administration.

That 7 to 10 cents going to the gas station isn't even profit. Out of that, station owners still have to pay leases, workers, and other expenses -- leaving them with a profit of just a few cents. For the service stations, most profit comes from selling coffee, cigarettes, food and other amenities.

The government takes about 40 cents right off the top, with about 18 cents going to the feds. State taxes vary widely, but the national average is about 22 cents a gallon. Most of this money is used to build and maintain roads, reports the news source.

About 24 cents a gallon goes to refiners, including independent companies like Valero, Sunoco or Frontier. About $2.07 from every gallon of gasoline goes to producers of crude like Chevron, BP, ExxonMobil and smaller outfits like Anadarko and Marathon (many of which also operate refineries), or national oil companies controlled by countries like Saudi Arabia, Mexico or Venezuela.

Rep. Edward Markey (D-MA) has called the chief executives of the five biggest oil companies to testify on the industry's record profits on April 1.

News & Media Center

Gasoline Station Owners Feel Pain of $100 a Barrel Oil

April 15, 2008

HOUSTON – As retailers know, and more newspaper readers are learning, record gasoline prices do not translate into good news for gasoline station owners. Despite the high price of crude oil—right now topping $100 a barrel—gasoline retailers are not raking in the profits, the *Houston Chronicle* reports.

In 2007, the newspaper reported, citing NACS numbers, profit margins for fuel sales dropped to their lowest point in nearly a quarter century. Climbing oil prices jacked up the cost of purchasing gasoline and diesel, soaring credit-card fees and increasing competition from discount retail chains cut into those meager profits.

Slicing into the profit on a gallon of gasoline are the credit-card fees. Those fees now run close to 10 cents a gallon, said Tom Kloza, chief oil analyst at the Oil Price Information Service. "I know there is a tendency to believe that every industry overstates their woes," said Kloza. "But in the case of pure gasoline retailers, they are truly woe-begotten."

In 2007, convenience store industry sales reached a record $577 billion, however profits fell 29 percent to $3.4 billion, largely attributable to higher credit card fees, NACS reported last week. Credit-card fees advanced 15.2 percent to reach $7.6 billion—that's more than double the gas and convenience store industry's profits.

Gasoline retailers are boosting their bottom line by turning to in-store products, such as coffee, lottery tickets and fresh food. "They better be making money on the Slim Jims, Little Debbie cakes, coffee and deli items," said Kloza, "because if they are relying on gasoline profits, they are in trouble

Gas station owners say profits slim despite price increases

By Gordon Fraser
Staff writer

As the price of gasoline rises, many gas station owners say they're being priced nearly out of business. "The prices go up and our margin either stays the same or shrinks," said Sam Mousa, who, until last month, was running two gas stations in Salem. On Feb. 5, Mousa shuttered the Sunoco station at the corner of Routes 28 and 97. He had run it since 1988. He still owns an ExxonMobil station on Route 28. Mousa dumped the Sunoco station because of the rent he was paying the Sunoco corporation. He offered to buy the station and operate it independently, but Sunoco wasn't interested, he said. "They just decided they'd rather shut down the property than give me a break on my rent," Mousa said.

But even those who own their gas stations free and clear are struggling.

"A lot of these small businesses, they can't afford to buy the stuff anymore," said Jim Massahos, owner of R&J Getty on Main Street in Salem. Despite skyrocketing gas prices, individual stations operate with only a tiny profit margin at the pump, local owners said. The profit, when there is one, comes from selling items such as cigarettes and bottled water in attached convenience stores. And, based on state figures, the number of gas stations in New Hampshire has been declining for more than a decade.

This year, 1,201 facilities in the Granite State hold licenses for underground diesel and gasoline storage tanks, according to Jim Martin of the state Department of Environmental Services. Ten years ago, nearly twice that number, or 2,083, held licenses, according to Martin. A decade before that, in 1988, there were 5,093 licenses. Not all gas stations hold underground storage licenses — some store fuel above ground — and the numbers are not an exact reflection of the total number of gas stations in New Hampshire, Martin cautioned. Despite that, he said, the figures might reflect an overall trend.

Rashid Sucar, who has owned Oasis Gas and Mini Mart in Windham for four years, said Friday that he was actually losing 3 cents a gallon on most gas purchases. Sucar's profit margin on gasoline Friday was only 4 cents, but credit card companies charge a 7 cent per-gallon transaction fee. That meant, at yesterday's prices, Sucar was losing money every time a customer used a credit card. "I'll be honest with you," Sucar said. "This is the worst time (to be running a gas station)." Two years ago, Sucar opened a pizza parlor in his convenience store — Charley's Kabob & Pizzeria. The pizza parlor and the store keep his business afloat, he said.

Jeanne Butler, a commercial real estate agent with Prudential Verani in Londonderry, said gas stations aren't yet difficult to sell — as long as they come with a convenience store and a solid agreement with a major gasoline distributor. "Most of the income or profit is made inside (the store)," she said.

In fact, Butler said, gas stations with auto repair shops often aren't as profitable. That's because most auto shops buy their gas independently and end up paying more than their competitors. That's something Massahos, of R&J Getty in Salem, can attest to.

On a good day, Massahos only makes 6 or 7 cents a gallon buying Getty gas as an independent dealer. Stations affiliated with a major oil company — like ExxonMobil or Irving — can make up to 12 cents a gallon, he said. But stations really get hit when the price of gas drops, Massahos said. If he buys 11,000 gallons of gasoline at $3 a gallon and the next day the price drops to $2.95 a gallon, he has to drop his prices to keep people from going to a competitor, he said.

Tom Duffy, another real estate agent with Prudential Verani, said he was trying to sell an independently owned gas station several years ago, but the owner was across the street from a major distributor. One day, the independent station was selling gas for $2.50 a gallon, while the corporate station was selling it for $2.47. "I said, 'Why don't you sell it for $2.47?' and the owner said, 'I can't because I'm buying it at $2.485,'" Duffy said. "The owner said, 'I would be better off running a hose across the street and buying their gas.'"

But even the corporate station might not have been doing so well, based on what Mousa, of Salem, has said. "When I got into this business (in 1988), we sold gas for somewhere between 75 and 85 cents, and made a 12 to 15 cent margin," he said. "Now, it's 10 cents or less." And Massahos, whose father owned R&J Getty during the gasoline shortage of the late 1970s, agreed. Gas station owners are much worse off now than they've ever been, he said.

"There's plenty of product out there — there's plenty of product. Someone's making money, but it ain't the dealers," he said.

New Hampshire licenses for underground tanks

1988: 5,093

1998: 2,083

2008: 1,201

Published: June 04, 2008 12:39 am

Gas too expensive for Topsfield station to fill its tanks

By Mike Stucka
Staff writer

TOPSFIELD — Several times a month, a "Sorry No Gas" sign gets propped up between the service islands at Silva Tire, a Topsfield Shell station on Route 97.

"Prices are up, shipping is up, all the numbers are up," said manager Don Emery, who was expecting a delivery of about a third of a truckful on Monday. While customers dig deep to fill their tanks, typical stations have to do the same thing on a much larger scale — or simply shut their doors.

That's what's been happening lately at Silva Tire, which has been in operation since the 1960s. Expenses prevent the station from filling its underground tanks with enough fuel to meet the demand. The sign with red spray-painted letters has gone out numerous times in recent weeks.

Most gas retailers can't even order partial shipments, so they have to pay for about 8,500 gallons at a clip, said Shane Sweet, president of the Watertown-based New England Fuel Institute. Gas stations and fuel oil vendors are getting caught in the same traps as their customers, faced with rising prices and tightening credit lines.

"The consumers are in a difficult spot because of the cost, and so are the retailers," Sweet said yesterday. "People I've known for a quarter of a century are shaking their heads saying, 'Man, tell me when this bubble is going to burst.'"

Sweet acknowledges that he's part of the problem. He likes using a credit card to buy gasoline, though he knows the retailers have to pay a hefty credit-card surcharge.

"I feel bad when I swipe my card, because I know they probably just broke even on that deal. At 2 or 3 percent, you're talking 12 or 15 cents a gallon. In some markets, that would be considered a retail profit," he said.

At Silva Tire, where a gallon of regular sold for $4.07 yesterday, the math isn't quite that bad, but the full-service station is thinking about making one of its gasoline islands cash-only.

"If you could average it out, we're probably losing 5 to 7 cents a gallon on credit card fees," Emery said.

When Emery orders a partial shipment of gas, he pays the same amount on transportation as a full tanker truck. That increases his cost per gallon. Other costs, like the electricity to pump the gas out of the underground tanks, have also gone up.

"By the time you're done, you don't make any money on gas," he said, as he held an alternator for a Jeep he was repairing.

Emery named a half-dozen gas stations that have gone out of business recently, many near his home on the New Hampshire border. Sweet said one of his wholesalers in Vermont lost nine accounts in a few weeks because the customers went out of business.

Sweet, whose association represents gas stations, fuel oil dealers and propane suppliers, said some of the rising costs are driven by speculators.

"The cost of heating oil to my people went up 85, 90 cents in May. ... Anyone who can look me in the eye and tell me that's supply and demand is smoking something," he said.

Sweet said resilient sellers will get through the turmoil, but he doesn't know what the result will look like. One vendor he knows is going into wood pellet sales; another is training staff on solar panels.

Dealers are having a tough time getting larger lines of credit at banks, while customers owe on outstanding winter fuel oil bills, he said.

The Topsfield Shell station also runs an oil company.

Sweet said an oil company owed for 500 gallons from each of 50 customers could be $100,000 in debt just to them.

"Las Vegas can't hold a candle to what my guys are going through. I laugh so I don't cry every day," Sweet said.

Gas station owners making 'pennies'

Comments 1|
Recommend 2

BY JAMES GILBERT, SUN STAFF WRITER
December 14, 2007 - 10:07PM

Although gas prices are staying near $3 a gallon these days, service station owners aren't making much on the gas they sell, according to a representative for Arizona's petroleum marketers.

"As gas prices go up, retailers actually make less money," said Andrea Martincic, spokeswoman for the Arizona Petroleum Marketers Association, during a visit Friday to Yuma. "Like
the consumer, they are hurting too. It's a very hard business for them to be in."

Martincic explained that crude oil price increases drive up the cost of refining it into gasoline, which ultimately cuts into the retailer's profits.

While the retailer does pass on the cost increase to the consumer as often as possible, it depends on how much the market will bear.

The Arizona Petroleum Marketers Association (APMA) is a nonprofit trade association of independent petroleum marketers and convenience store owners who purchase refined petroleum products such as gasoline and diesel fuel from a supplier - usually a major oil company or independent refiner - and then resell the products at the wholesale or retail level.

Martincic stopped in Yuma as part of a tour through Arizona to talk about the reasons gas prices continue to stay near record high levels.

Even though crude oil prices are staying near $100 per barrel, refiners, wholesalers and retailers are all actually making less money now, she said.

"A lot of times consumers don't know that," Martincic said. "They think the guy who's selling the fuel is just raking in profits when they are actually making pennies on the gallon."

For example, based on 2006 statistics from the National Association of Convenience Stores, for every dollar paid at the pump, consumers paid an average of 56 cents for the crude oil costs, 18 cents for state and national taxes, 17 cents for refining and only 9 cents for "post-refinery" costs, such as distribution.

In 2006 the average price of a gallon of gasoline was $2.57, with an average retailer markup of 13.7 cents, according to the NACS information.

Of that average 13.7 cent markup, which is the retailer's profit margin, six cents went to operating costs, four cents went to credit card fees, two cents went to amortization of equipment and one cent to inventory shrinkage, according to the NACS.

"So after you factor in all these costs, sometimes retailers are left with less than a penny in profit for each gallon of gas," Martincic said.

Martincic explained that there have also been a number of changes in the gasoline market in the past three to five years, specifically when it comes to the stations where motorists buy their gas.

She said the Arizona Department of Weights and Measures did a survey in December 2006 and found that 93 percent of the state's 2,174 gas stations are independently owned by companies or run by a small business owner.

"It used to be that most of the gas stations were owned by the refiners," Martincic said. "Five years ago if you saw a gas station with a corporate sign, that is who owned it, but that isn't the case anymore. While (the refiner) may still supply the gasoline to that station, they may no longer own it."

Big oil companies can make more money in oil exploration and in refining, which has led to many of them selling off their gas stations, which have always had low profit margins, according to Martincic.

Another shift, according to Martincic, is that independently owned gas stations are buying more of what is called unbranded gasoline - which is gasoline made by an independent refiner.

"That allows them to shop around and get the best price," Martincic said. "They are essentially buying excess fuel in an attempt to stay competitive."

The downside to purchasing unbranded gasoline, Martincic said, is that since these independent owners don't have any purchasing agreements, if there is any type of shortage, they will be the ones to lose their supply first.

She also added that the demand for gasoline in Arizona has increased in the past two years, even as gas prices have also risen steadily.

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Soaring costs are squeezing gas station owners too

Email Picture

A gas station in Los Angeles displays prices well above the national average of $4 a gallon. California's average gasoline price took a 19.1-cent leap in the last week to $4.325 a gallon, the Energy Department said.

Dealers say fuel and other expenses are rising so rapidly that they can't keep up.

By Elizabeth Douglass and Ronald D. White, Los Angeles Times Staff Writers
June 10, 2008

Andre van der Valk hasn't been paid in six months.

He has a job, though, as owner of four service stations in Southern California. He hasn't taken a salary this year so he can pour all his money into buying fuel for his stations.

Despite the jaw-dropping prices at the pump -- they jumped 19 cents a gallon in California to $4.43 in the last week and averaged more than $4 a gallon nationwide for the first time, the Energy Department said Monday -- service station owners aren't making the killing that motorists assume.

That's because credit card fees, the price of tanker-loads of fuel and other costs are rising so rapidly that station owners haven't been able to keep pace despite the record prices they're charging.

"People see $4 gas, and they think these retailers are making a fortune," said Ben Brockwell, a director at Oil Price Information Service, which tracks fuel prices. "The reality is these guys are being stressed to the limit."

Gas station operators say the squeeze began years ago, as oil companies siphoned off more of the profits, took a cut of in-store sales and left owners to grapple with higher rents and equipment mandates.

Now, higher oil prices are delivering another big blow -- to consumers and gasoline dealers. On Friday, oil futures exploded to a record $138.54 a barrel, up $10.75, the biggest one-day increase ever.

Crude fell Monday by $4.19, or 3%, to $134.35 a barrel in reaction to comments by Treasury Secretary Henry M. Paulson Jr. that he wouldn't rule out intervening in currency markets to stabilize the dollar and to a call by Saudi Arabia for a meeting of oil-producing and -consuming nations to discuss crude prices.

"There is no good news for gasoline retailers," said Jeff Lenard, spokesman for the National Assn. of Convenience Stores, a trade group based in Alexandria, Va.

Times have gotten so hard that some operators fear they'll have to close down.

Some already have. Pennsylvania-based Uni-Marts, which owned or supplied 283 convenience stores and gas stations, filed for Chapter 11 Bankruptcy Court protection in late May, saying its cash reserves were drained by fuel costs.

"The number of retailers on the brink of bankruptcy is now at a dangerous level," said Bill Douglass of Sherman, Texas, who owns 15 convenience stores and supplies fuel to 150 independent retailers.

"In the past four months, 10 of the dealers to whom I supply motor fuel have relinquished to me the deeds to their businesses," he told Congress last month.

The bad news for consumers: Fewer gas stations further limits choices and competition, and that pushes up prices.

Some motorists said they were surprised to hear that station owners were struggling.

"That just tells me that the oil companies are grabbing all of the profits," said Tanya Rutter, a personal trainer who lives in Manhattan Beach and drives an 18-year-old Datsun 240Z.

On Monday, Democratic presidential candidate Barack Obama said he would push for a tax on record-high oil-company profits like those being collected by Exxon Mobil Corp.

"We'll use the money to help families pay for their skyrocketing energy costs and other bills," Obama said.

Gas retailers are being hurt by several forces, including lower sales, higher credit card fees and fuel expenses, that are directly tied to this year's dramatic rise in the price of oil.

In Van der Valk's case, fuel sales have fallen as much as 10% as customers cut back on driving. The lost volume means fewer customers flow through the convenience store to buy coffee, sodas and other money-making items.

With each price increase, more people use credit cards to buy gas, taking a bigger bite out of station profits. A dealer typically pays a 10-cent transaction fee plus 2% to 2.5% of the total fuel sale for each customer.

The cash crunch is made worse by the soaring cost of buying fuel. Over the weekend, Van der Valk paid $38,000 for 8,700 gallons of regular gas and diesel, up from about $22,000 at the beginning of the year.

It's a strain on Van der Valk and his two grown sons, who work at the stations. Because his sons are also skipping paychecks, he said, "three families are living off of savings now."

Some distributors have started requiring station operators to pay for fuel upon delivery or on a shortened billing cycle. Tim Rogers, owner of Torrance-based Tower Energy Group, said a growing number of his gas station customers were ordering half loads of fuel despite the risk of running dry.

Tower, which supplies fuel to more than 160 Valero, 76 and Tower gas stations in Western states, has seen its inventory costs double. Rogers said he had asked bankers to raise his company's credit limit.

Retailers say they are having trouble passing on the full force of higher costs to their customers -- and doing so risks worsening the cycle by scaring off drivers and further reducing store traffic.

On Monday, for example, a fuel distributor or station owner would have to pay $3.814 a gallon to buy a load of regular gasoline on the Los Angeles spot market, which is where refiners offer whatever fuel is left after they supply stations that sell their branded gas.

The break-even price for dealers would be about $4.62 a gallon after adding taxes and fees, Rogers said. But the average retail price in Los Angeles was $4.418 for a gallon of

regular, the Energy Department said Monday.

"People are mad coming in and having to pay for this," Rogers said. "We empathize with them, because we feel the same way."

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In Cody, Wyoming: Two gas stations stop selling gas

Tuesday, September 12, 2006

Two gas stations in Cody, Wyo., have stopped selling gasoline and switched exclusively to auto repairs, citing high and fluctuating gas prices as the reason for the change, The Cody Enterprise reported Sept. 12.

They are the former BearCo Shell Station at the corner of Sheridan and 16th and Scott's 12th Street Station.
At BearCo Shell - now BearCo Tire - owner Dallas Beardall said his business began "hemorrhaging money" when gasoline prices started rising and falling on a daily or weekly basis. The retail price was more than $3.20 per gallon when they stopped selling fuel.

Beardall termed selling gasoline in today's market a "big-time losing money game," one he and his family no longer wanted to be in.

He said he was accustomed to adding a 10 percent markup - or about 30 cents per gallon - to meet his payroll and cover costs, something that worked when gasoline sold for less than $2 per gallon retail.

But then the wholesale price rose and "it cost 20 percent to pump it, with fees, labor and electricity," Beardall said.

"I won't ever go back into the gasoline business," he said.

That decision terminates a 50-year run for gasoline sales at that main street corner.

Beardall says the location began as a Chrysler dealership, then became a gas station, Gordon's Husky, in 1957. It then changed to Lynn's Service Center until Galen Beardall purchased it from Lynn Elwood in 2000. BearCo also owns a tire and repair shop on Big Horn Avenue.

Now the corner BearCo shop will focus on full-service repairs and selling tires. The underground gas tanks must be removed within about three years under environmental regulations.

At Scott's 12th Street Station, co-owner Lynn Hugill said the price of fuel "was just getting ridiculous, and it constantly fluctuated."

She said she and her husband Scott "just kept losing money" and incurred a $10,000 debt for wholesale fuel last year.

"We stopped selling fuel in May and we're catching up" on the debt, she said.

"We don't regret" quitting the gas business, she added.

"Our only regret is we cater to elderly and handicapped customers, and we won't be able to help them" now with their fuel needs.

Her husband is now concentrating on repairs and maintenance of vehicles, and the underground gas tanks will be removed this fall.

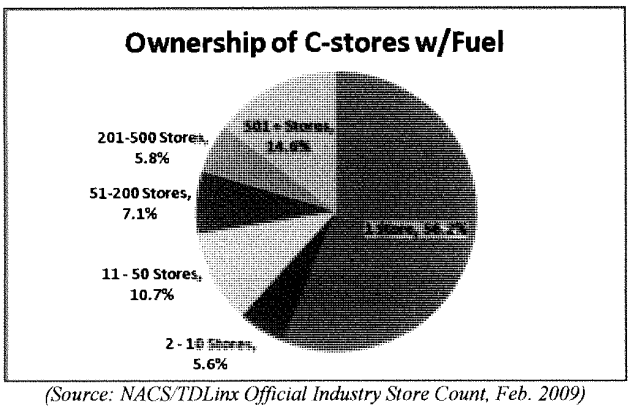
Source: Cody Enterprise

NACS GAS PRICE KIT

Who Sells Motor Fuels in the United States?

There are 161,768 retail gasoline outlets in the United States, based on the 2008 station count by industry publication *National Petroleum News*. This count includes all fueling outlets in the country, including many very low volume retailers, such as marinas. Of this total, more than 114,000 are convenience stores. These convenience stores sell the overwhelming majority of the gasoline purchased in the United States and despite canopies that promote a specific brand of gasoline, very few of these stores – less than 2 percent – are owned and operated by one of the integrated, major oil companies.

It is much more likely that the business is owned by an independent entrepreneur who lives in the community. Of the roughly 115,000 convenience stores selling gasoline in the United States in 2008, about 56 percent were one-store operations, compared to only about 14 percent that were operated by a company having 500 or more stores.



(Source: NACS/TDLinx Official Industry Store Count, Feb. 2009)

Convenience stores in 2007 sold an estimated 80 percent of all gasoline and diesel fuel purchased in the United States – a sharp increase from a decade ago (1997) when convenience stores sold an estimated 59 percent of the country's motor fuels. The other 20 percent is sold through an increasing number of hypermarkets (mass retailers, supermarkets, discount stores, warehouse stores) and a declining number of fuel-only stations.

Overall, 79 percent of convenience stores sell motor fuels, and gasoline and diesel fuel sales account for 70.8 percent of the convenience store industry's total sales. (However, low gross margins on fuel means that motor fuels sales contributed less than one-third of total store gross margins dollars – 34.5 percent.)